



UNITED NATIONS
LAO PDR



UN COMMON COUNTRY ANALYSIS

FOR THE UN SUSTAINABLE DEVELOPMENT
COOPERATION FRAMEWORK 2022-2026
AND THE 2030 AGENDA

Lao People's Democratic Republic



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Acronyms

ACIA	ASEAN Comprehensive Investment Agreement
ADB	Asian Development Bank
AFAS	ASEAN Framework Agreement on Services
AFTA	ASEAN Free Trade Agreement
AML/CFT	Anti-Money Laundering and Combating Financing of terrorism
ART	Anti-retroviral Therapy
ASEAN	Association of South East Asian Nations
ATIGA	ASEAN Trade in Goods Agreement
ATISA	ASEAN Trade in Services Agreement
AYFS	Adolescent and Youth Friendly Services
BRI	Belt and Road Initiative
CAT	Convention Against Torture
CCA	Common Country Analysis
CCPR	Covenant on Civil and Political Rights
CDP	United Nations Committee on Development Policy
CEDAW	Committee on the Elimination of Discrimination Against Women
CERD	Convention on Elimination of All Forms of Racial Discrimination
CESCR	Covenant or Committee on Economic, Social and Cultural Rights
COP	Convention of Parties
CPED	Convention for the Protection of All Persons from Enforced Disappearance
CRC	Convention on the Rights of the Child
CRPD	Convention on the Rights of Persons with Disabilities
CRVS	Civil Registration and Vital Statistics
CSO	Civil Society Organisation
DAC	OECD Development Assistance Committee
DFA	Development Finance Assessment
DRR	Disaster Risk Reduction
ECE	Early Childhood Education
EDL	Électricité du Laos
EIA	Environmental Impact Assessment
EMIS	Education Management Information System
EU	European Union
EWS	Early warning systems
FAO	Food and Agriculture Organisation of the United Nations
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
GBV	Gender-Based Violence

GCF	Green Climate Fund
GDP	Gross Domestic Product
GFATM	Global Fund to Fight AIDS, TB, and Malaria
GHGs	Greenhouse gases
GII	Gender Inequality Index
GMS	Greater Mekong Subregion
GSP	Generalised System of Preferences
HCI	Human Capital Index
HDI	Human Development Index
HIV	Human immunodeficiency virus
HLPF	High-level Political Forum on Sustainable Development
IAEA	International Atomic Energy Agency
ICMW	International Convention on the Protection of the Rights of All Migrants Workers and Members of their Families
ICPD	International Conference on Population and Development
ICT	Information and communications technology
IFAD	International Fund for Agricultural Development
IFI	International Financial Institution
ILO	International Labour Organisation
IMF	International Monetary Fund
INFF	Integrated National Financing Framework
INGO	International non-governmental organisations
INFORM	Index for Risk Management
IOM	International Organisation for Migration
IT	Information technology
ITC	International Trade Centre
IUCN	International Union for Conservation of Nature
LDC	Least Developed Country
LFND	Lao Front for National Development (former Lao Front for National Construction)
LFPR	Labour Force Participation Rate
LGBTIQ	Lesbian, Gay, Bisexual, Transgender, Intersex and Queer persons
LMIS	Labour market information system
LNOB	Leave no one behind
LPRP	Lao PDR People's Revolutionary Party
LSB	Lao Statistics Bureau
LSIS	Lao Social Indicator Survey
LWU	Lao Women's Union
LYU	Lao People's Revolutionary Youth Union
MAF	Ministry of Agriculture and Forestry
MCH	Maternal and child health

MEAs	Multilateral environmental agreements
MoES	Ministry of Education and Sports
MoF	Ministry of Finance
MoFA	Ministry of Foreign Affairs
MoHA	Ministry of Home Affairs
MoNRE	Ministry of Natural Resources and Environment
MPI	Ministry of Planning and Investment
MoPS	Ministry of Public Security
MSM	Men who have sex with men
MSME	Micro, small and medium sized enterprises
NCAWMC	National Commission on Advancement of Women, Mothers & Children
NCD	Non-communicable disease
NDC	Nationally Determined Contributions
NEET	Not in education, employment or training
NGO	Non-governmental organisations
NHRC	National Human Rights Committee (former National Steering Committee for Human Rights)
NPA	Non-Profit Association
NSEDP	National Socio-Economic Development Plan
NSPS	National Social Protection Strategy
NTM	Non-tariff Measures
ODA	Official Development Assistance
ODOP	One District, One Product
OECD	Organisation for Economic Cooperation and Development
OHCHR	Office of the High Commissioner for Human Rights
PAR	Public administration reform
PDNA	Post-Disaster Needs Assessment
PEFA	Public Expenditure and Financial Accountability
PFM	Public finance management
PLHIV	People living with HIV
PPA	Provincial People's Assembly
PPP	Purchasing power parity
QCPR	Quadrennial Comprehensive Policy Review
RC	United Nations Resident Coordinator
RCO	United Nations Resident Coordinator's Office
RCEP	Regional Comprehensive Economic Partnership
REDD	Reducing Emissions from Deforestation and Forest Degradation
SDG	Sustainable Development Goal
SDNSS	Sustainable Development of the National Statistical System
SDSN	Sustainable Development Solutions Network
SERP	UN Lao PDR Socio-Economic Response Plan to COVID-19

SEZ	Special Economic Zone
SME	Small and medium sized enterprises
SOE	State Owned Enterprise
TB	Tuberculosis
TOC	Transnational Organised Crime
TVET	Technical and vocational education and training
UHC	Universal Health Coverage
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCT	United Nations country team
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework
UNDESA	United Nations Department for Economic and Social Affairs
UNDP	United Nations Development Programme
UNDRR	United Nations Office for Disaster Risk Reduction
UNDS	United Nations development system
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UN-HABITAT	United Nations Human Settlements Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNODC	United Nations Office on Drugs and Crime
UNSDCF	United Nations Sustainable Development Cooperation Framework
UPR	Universal Periodic Review
USAID	United States Agency for International Development
UXO	Unexploded Ordnance
VNR	Voluntary National Review
WASH	Water, Sanitation, and Hygiene
WB	World Bank
WFP	World Food Programme
WHO	World Health Organisation
WTO	World Trade Organisation

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1. Introduction

The UN Common Country Analysis (CCA) is an integrated, forward-looking, and evidence-based analysis of the country context for sustainable development. It is an impartial, collective, and independent analysis undertaken by the UN to help determine its priorities for the next programming cycle to assist the country realise its development vision and achieve the 2030 Agenda. It aims to ensure that UN support to the host government is relevant and linked to national development priorities as well as within its normative role, as mandated by the UN Development Group (UNDG) as guided by Member States. The CCA is both an assessment of the current situation and an analysis of gaps, challenges, and opportunities. Together with the 9th National Socio-Economic Development Plan (NSEDPlan) outlining the Government's development priorities and the outcome of a recent independent evaluation of the current Lao PDR-UN Partnership Framework 2017-2021, the CCA has been a key document for the UN country team's (UNCT) visioning and strategic prioritisation exercise, and the development of a theory of change for each of the prioritised areas identified, in the run up to the formulation of the UN Sustainable Development Cooperation Framework 2022-2026 (UNSDCF) together with the Government of the Lao People's Democratic Republic (Lao PDR).

The CCA reflects the integrated nature of the SDGs, and is structured to provide a cumulative, logical articulation of the key development challenges and opportunities for Lao PDR to inform future strategic programming decisions. It takes into account the linkages across topics, to assess the implications of the development trends on the development vision for 2030, and pays particular attention to cross-border perspectives, given the geographical and social context of Lao PDR. In accordance with Member States' commitments to the 2030 Agenda, the CCA further mainstreams efforts to leave no one behind, addressing gender equality and women's empowerment, sustainability and resilience as outlined by the UNDG Guiding Principles¹ for development cooperation as directed by UN Member States in the Quadrennial Comprehensive Policy Review of UN development system operational activities (QCPR).²

The substantive analysis in this CCA begins by setting out the broad national context in terms of politics and institutions, economic transformation, demography, and vulnerability to climate change and disasters in Chapter 3 followed by a description in Chapter 4 of how the national development vision relates to the 2030 Agenda and the Sustainable Development Goals (SDGs). This is followed by in-depth analysis of the situation, prospects, and drivers of each SDG, structured around the 5 over-arching dimensions of the 2030 Agenda, namely people, prosperity, planet, peace, and partnerships.

Based on this analysis, with the objective of facilitating potential course corrections, Chapter 6 examines the factors and drivers of vulnerability in the prospects of attaining these development goals and identifies population groups most at risk of being left behind from the development process as it is currently unfolding. Chapter 7 assesses

¹ UNSDG, *Consolidated Annexes to the Cooperation Framework Guidance* (July 2019)

² The QCPR is the overarching tool for Member States to provide policy guidance to the UN development system (UNDS) and hold it accountable

compliance with the obligations of Lao PDR to the international human rights instruments it subscribes to and the adherence to international norms and standards more broadly. Chapter 8 analyses the financial landscape to identify the key issues and challenges with sourcing the resources to address the development challenges identified. Chapter 9 assesses risk, and Chapter 10 concludes by identifying the key gaps and challenges toward the achievement of the 2030 Agenda in Lao PDR.

The CCA is prepared based on both secondary and primary information. Secondary information was sourced from strategic documents of UN entities, reports from the country's international commitments, national strategic documents, knowledge products and international organisations. A repository of such documents was created by the UN Resident Coordinator's Office (RCO) and regularly updated during the process. Primary information was collected from interviews with key interlocutors representing the interests of a broad range of population groups including those often referred to as marginalised and from the surveys conducted by UN entities with various target groups (youth, women, migrants, persons with disabilities, etc). Secondary qualitative sources, such as Government's submissions under the Universal Periodic Review (UPR), were triangulated with interviews with UN agencies and civil society to collect and verify different perspectives. Any variance in perceptions—such as in the compliance with human rights mechanisms—is reported in the CCA.

Additionally, against the backdrop of the COVID-19 outbreak in early 2020, the CCA takes into account assessments available on the impact of the pandemic on lives and livelihoods. These assessments, carried out by individual UN and non-UN organisations in their respective areas of mandate, were synthesised in the UN Lao PDR Socio-Economic Response Plan (SERP) to COVID-19. The SERP is a forward-looking plan and examines how multiple risks can affect the lives of different population segments with emphasis on those at pre-existing risk of exclusion and marginalisation.

Led by the UN Resident Coordinator (UNRC) and the day-to-day management of the RCO, the UNCT had the full ownership of the process. This included providing information and data, enriching the document with country-specific information, and comments. Both resident and non-resident UNCT members made substantive contributions to the document. They were also instrumental in facilitating consultations with key stakeholders including with national counterparts. Regular consultations were held with the thematic Results Groups for outcome areas under the current UN Partnership Framework and a CCA Task Team consisting of technical and programme staff of UNCT member agencies, funds, and programmes.

The main stakeholders consulted include Government representatives, in-country and off-site development partners and diplomatic member state missions, civil society, and representatives of vulnerable and marginalised groups. Virtual consultations were held with civil society organisations representing perspectives of vulnerable groups. The Government's perspectives, and those of development partners, were further captured through numerous in-person and online participation in the six policy dialogues of the Multi-Stakeholder Taskforce to Study the Impact of COVID-19 in the preparation of the 9th NSEDP and SDG Localisation in Lao PDR. In addition, the surveys conducted by UN, including in the lead up to UN75 Anniversary and during the COVID-19 including in preparation for the SERP, were used to reflect voices from the ground and to understand their needs, aspirations, and visions.

2. Executive Summary



Lao PDR has been consistently committed to the 2030 Agenda and the achievement of its associated SDGs since their launch in 2015. The country endorsed a set of 238 national SDG indicators in June 2019 and has set up institutional mechanisms to monitor, mainstream and coordinate its implementation. A first Voluntary National Review (VNR) was undertaken in 2018, and a second is about to be finalised ahead of the High-Level Political Forum in July 2021. In Lao PDR, strategic development visions are translated into policy priorities through five-yearly NSEDPs. The 8th NSEDP (2016-2020) aimed to achieve (1) inclusive economic growth (2) enhanced human development and (3) improved environmental protection. The 9th NSEDP (2021-2025), endorsed at the 11th Party Congress on 13-15 January 2021 and submitted to the National Assembly on 22-26 March 2021, was formulated under the shadow of the COVID-19 outbreak which is having a serious impact on the national development trajectory. Building on the achievements of the 8th NSEDP, lessons learned, and reflections on the impact of COVID-19, the 9th NSEDP has greater emphasis on economic diversification, fiscal reform, innovations, human capital investment, 'green' economy, and resilience.

Through recent planning periods, Lao PDR has built a foundation of peace and stability and been among the fastest growing economies in Southeast Asia, supporting its transition from low-income to lower-middle income status in 2011. Lao PDR has been a Least Developed Country (LDC) since the category was created in 1971, but in 2021 was recommended by the UN Committee for Development Policy (CDP) to begin the process of graduation. This progress has been accompanied by significant poverty reduction and improved living conditions. However, growth to date has generated only limited economic transformation, the economy remaining reliant on a small number of sectors and trading partners. Moreover, growth did not create opportunities evenly, and with fewer opportunities for women and youth to take part in economic development, in particular due to women's high burden of unpaid care and domestic work, spending five times as many hours as men on average.³ With a large informal economy, Lao PDR faces social and economic insecurities affecting both the safety net for the population and Government revenues crucial to increase investment in development priorities.

Lao PDR's geographic location offers the potential for regional integration to be a major driver of progress, which has informed an increasing number of regional integration agreements and strategic infrastructure investments. Its strategic location, however, has also exposes the country to risks from transnational organised crime (TOC) - with continued and growing challenges from the trafficking of people, drugs, timber, and wildlife, as well as money laundering.

The population of Lao PDR is young, with the country now entering a 20-year period during which the ratio of the working age population to their older and younger dependents will be most favourable for progress. Policy decisions that ensure cohorts reaching working age over coming years find opportunities to realise their potential

³ ADB, *Exploring the Gender Dimensions of Unpaid Care work in the Lao People's Democratic Republic* (ADB Briefs No.163, December 2020)

would therefore have a transformational impact on the national development trajectory. A failure to make use of this window of opportunity would risk leaving a great part of the labour force trapped in low-productivity activities, with higher incidence of poverty. Deepening and persistence of poverty, would likely drive social and economic frustrations, leaving women and children particularly vulnerable to violence, exploitation, and other harmful practices. It will therefore be crucial to identify and address root causes of inequalities that hinders young people, women, and other marginalised groups, to contribute to, and take part in, development.

The rapid economic progress achieved has relied heavily on natural resources, which are now pushing ecosystems to their limits and leading to increasingly stark trade-offs between headline growth and environmental protection. As is the case around the world, climate change will also intensify risks from extreme weather events.

This CCA considers progress, constraints, and challenges in the achievement of the SDGs by Lao PDR through the lenses of the 'Five Ps' of the 2030 Agenda: **People, Prosperity, Planet, Peace, and Partnerships**.

'**People**' refers to progress in improving human wellbeing, including **SDG 1** on the elimination of poverty, **SDG 2** on ending hunger, **SDG 3** on ensuring healthy lives, **SDG 4** on education, and **SDG 5** on gender equality. Lao PDR has made significant progress across each of these, although continued and accelerated progress with increased investments that take into account those furthest behind will still be needed if the 2030 goals are to be achieved, and in some areas, challenges have intensified.

Poverty levels had been declining consistently, but as a result of the pandemic are now estimated to have increased, and even prior to the pandemic sharp regional, gender, urban-rural, and inter-ethnic differences have persisted. Taking a broader multidimensional view of poverty, nearly one quarter of the overall population and half of children have been identified as suffering from multiple important deprivations. Social protection systems to address such deprivations remain very limited. Facilitating and strengthening recovery from COVID-19 is crucial to tackling these issues.

The share of the population affected by hunger has declined from one-third to under one quarter over the past decade. However, even with this progress, Lao PDR is still classified as "serious" on the Global Hunger Index, one-third of children under five suffer from undernutrition, and the proportion of stunting remains very high at 33 percent. Life expectancy at birth has increased from 59 years in 2000 to 68 years in 2018. Similarly, key health indicators like the maternal and infant mortality ratios have improved, although they remain high by comparison to regional peers. However, limited access to quality and coordinated health services, including urban-rural disparities, discrimination and availability of reproductive health services remains a challenge. Moreover, the majority of the population are not yet drinking safe water and there remains a sharp disparity in the use of basic sanitation and safe hygiene practices associated with income levels.

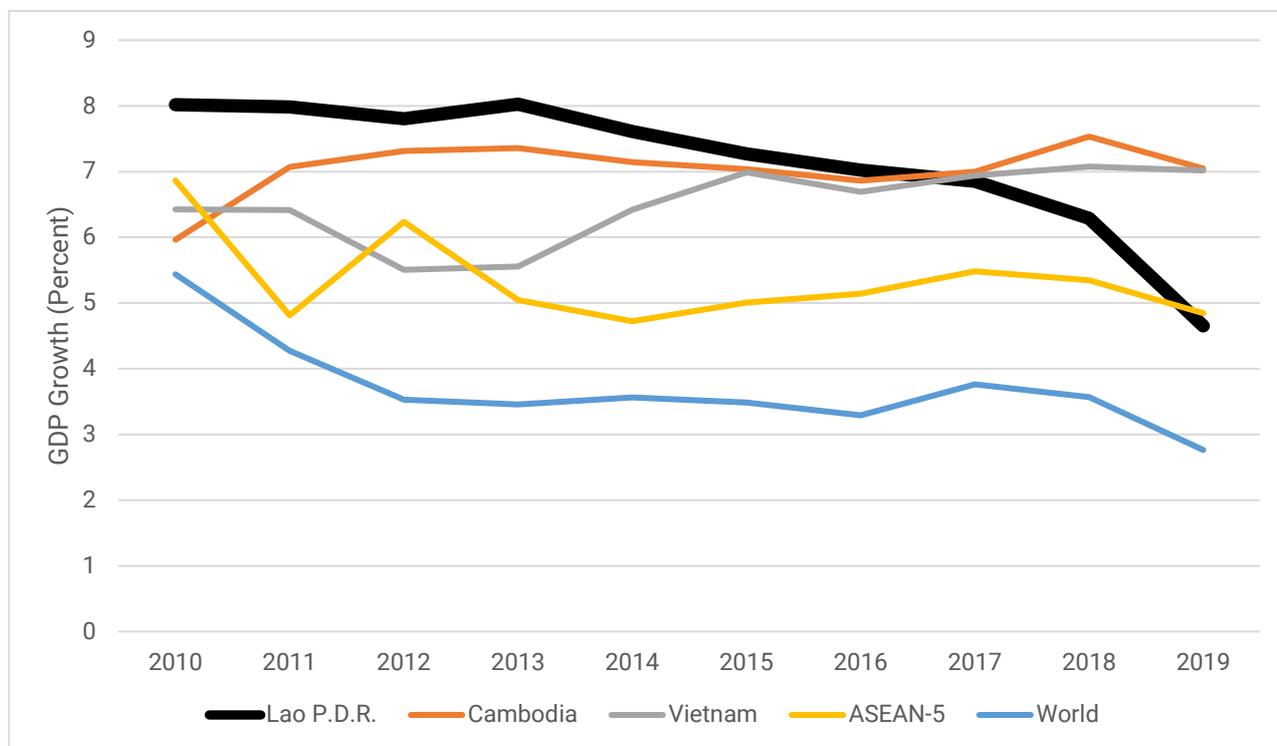
Enrolment in basic education has improved, now reaching over 90 percent, with negligible gender differences. The key outstanding challenges are addressing root causes for high secondary school drop-out rates, including child labour, early marriage, and early pregnancies, improving learning outcomes and completion of the full cycle of basic education, coupled with expanding early learning opportunities, with only one-third of children currently participating in early childhood education programmes. Not only are issues such as child labour, early marriage, and adolescent pregnancies barriers to access education, but also for young people, and in particular girls, to decide freely about their education and reproductive health free from discrimination.

Lao PDR also presents a mixed picture on other gender issues. Progress is being made in some areas like representation in the National Assembly, but discriminatory gender norms and unequal power dynamics persist, affecting women's access to take part of the economy and decision-making, while also furthering gender-based violence and other harmful practices.

'**Prosperity**' refers to economic progress, including **SDG 7** on access to energy, **SDG 8** on decent work and economic growth, **SDG 9** on infrastructure and innovation, **SDG 10** on reduced inequalities, **SDG 17** which includes elements on macroeconomic management, and **SDG 18** on addressing the consequences of unexploded ordnance (UXO).

Electricity generation capacity has expanded rapidly, primarily through investments in large hydroelectric projects often targeted at exports, leading to large surpluses. With the exceptions of remote villages, most households now have access to electricity. However, progress on non-hydro renewable energy is off-track, and three planned energy investments are in increasing coal-fired generation capacity.

Graph 1: GDP Growth

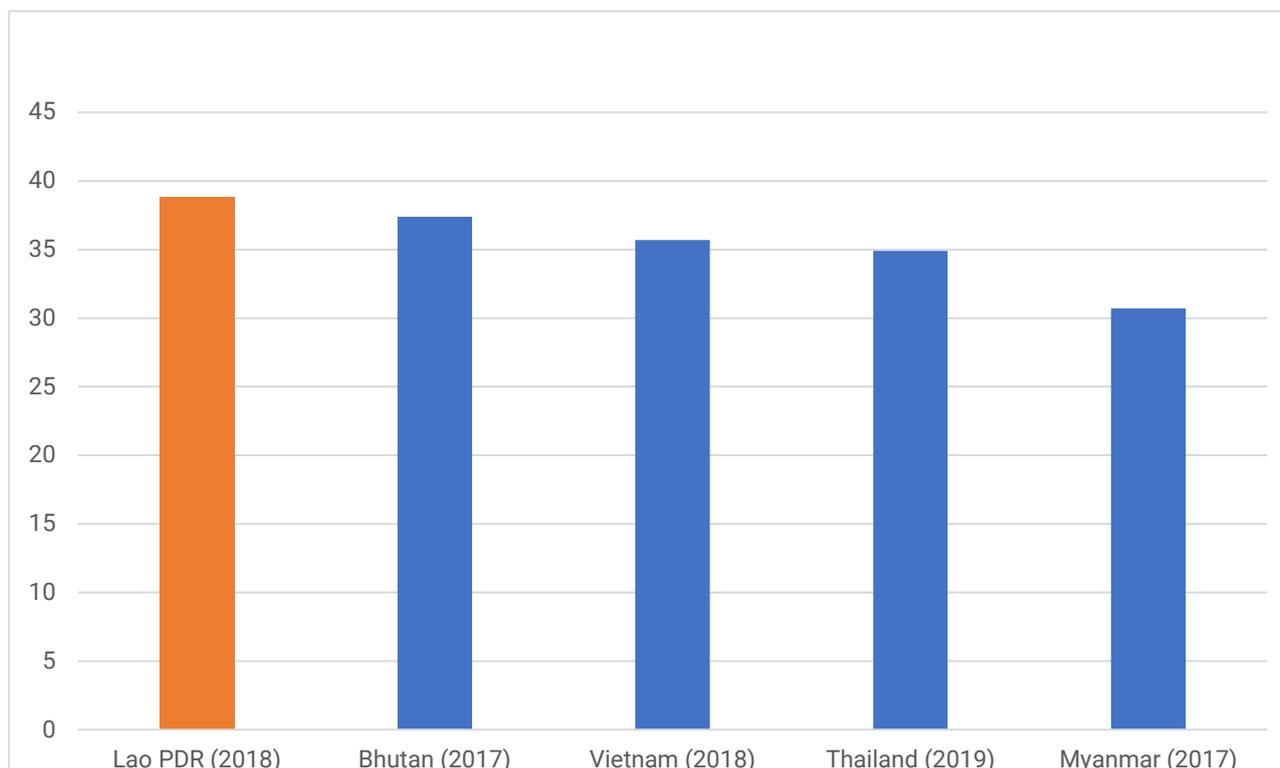


Source: IMF World Economic Outlook, April 2021

Lao PDR has achieved impressive economic growth rates, but these have not been driven by sectors that directly create large numbers of decent jobs, leading to a less strong link between growth and welfare than in regional peers. Improving the availability of in-demand technical skills will be important to growing formal labour market participation, improving productivity, and diversifying Lao PDR’s economic structure.

The investment climate for private businesses, mostly comprising micro, small and medium sized enterprises (MSMEs), which are important sources of innovation and job creation, remains challenging. However, Lao PDR has made progress in improving digital connectivity, creating the potential for improved efficiency through e-governance initiatives, and important economic opportunities through e-commerce.

Graph 2: Gini Index



Source: World Bank, World Development Indicators, 2021

In the context of Lao PDR's economic progress, both income and non-income measures of inequality have been increasing. Inequality as measured by Gini Index has risen from 36.6 to 38.8 between 2012 and 2018. Non Lao-Tai ethnic groups are more likely to be poor, uneducated, undernourished, with girls married early and experiencing early pregnancies. Females are predominantly engaged in informal labour leading to financial instability and remaining out of social safety nets.

Addressing the development consequences of widespread UXO has been a longstanding Government priority, with well-established structures and institutions in place to coordinate efforts. The number of reported fatalities as a result of encounters with UXO have fallen from 302 in 2008 to 41 in 2017, however much land remains uncleared and unsafe for use.

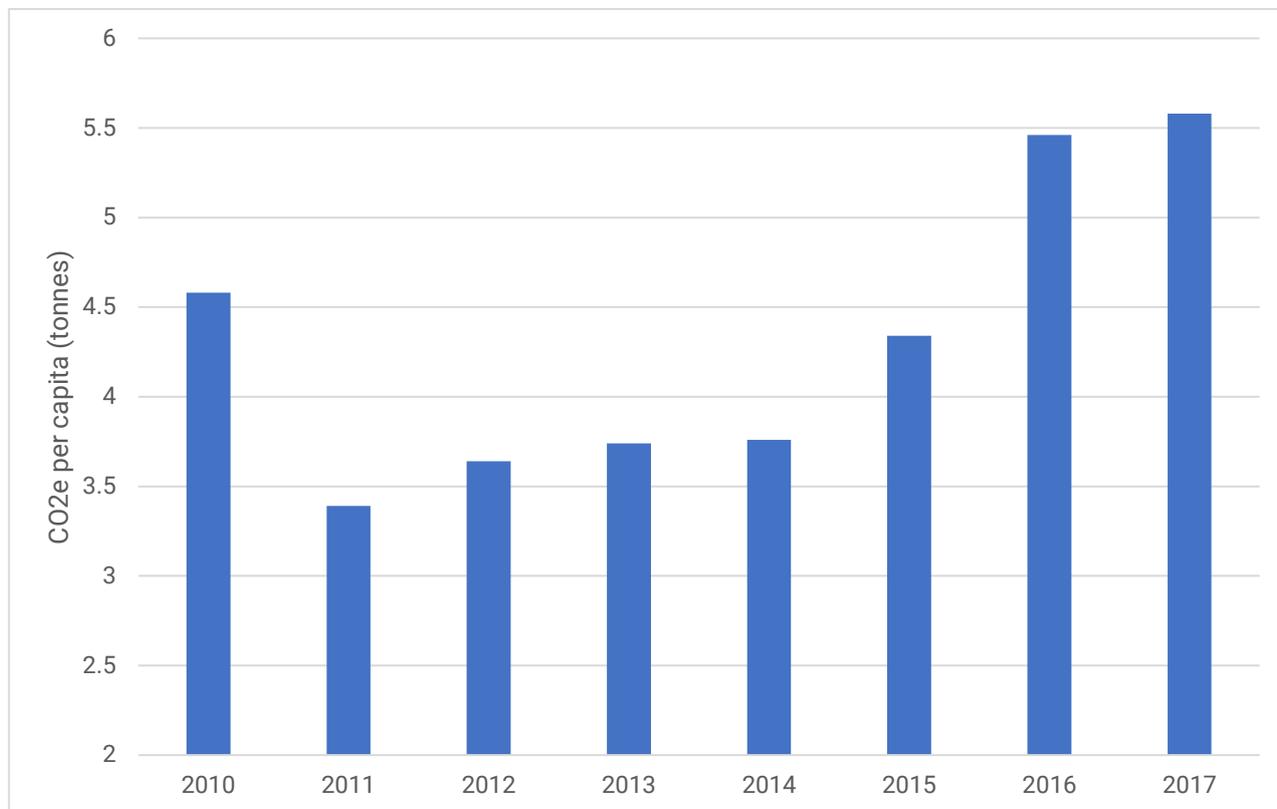
'Planet' refers to those parts of the 2030 Agenda focussed on environmental sustainability and resilience, including **SDG 6** on sustainable management of water, **SDG 11** on resilient and sustainable cities and settlements, **SDG 12** on responsible production and consumption, **SDG 13** on tackling climate change, **SDG 14** on life below water, and **SDG 15** on life on land.

Despite being a water-rich country, Lao PDR is facing water stress due to pollution and increasing demand for drinking water, sanitation, and agriculture, as well as the effects of climate change. Water supply coverage has increased, but there are significant challenges in improving the quality of water provided and in closing gaps in access and facilities between different parts of the population. Improving the management of key transnational water resources requires regional cooperation .

Although Lao PDR remains predominantly rural, it is undergoing rapid urbanisation. Managed appropriately this could open valuable economic opportunities, yet there is no comprehensive strategy for urbanisation, and a lack of coherent urban and territorial planning is often seen. This also creates increasing environmental and disaster risks, which could be more efficiently managed through up-front consideration in core development planning.

The country is highly vulnerable to climate change and has been facing extreme weather events with greater intensity and frequency. Greenhouse gas (GHG) emissions have risen sharply largely due to land use change. As a signatory to the Paris Agreement, the country aims at zero net emissions under the 9th NSEDP to contribute to the SDGs. The highest burden by climate change will be borne by the most vulnerable populations with the least resilience.

Graph 3: Green House Gas Emissions



Source: Climate Watch, 2021

Natural resources have been heavily exploited, and environmental and sustainability concerns have been raised with regards to infrastructural investments including in the energy and transportation sectors, emphasising the need to conduct more regular impact assessments to address any negative impact whilst realising the cultural, political, and financial benefits of regional integration. The country’s vulnerability to natural hazards is being aggravated by climate change, inadequate waste management, plastic pollution, haze pollution, deforestation, slash-and-burn agriculture, loss of biodiversity, and land degradation is evident. Strengthening environmental considerations in the approval of investment decisions would improve alignment with national environmental objectives. Engaging local populations affected by the investments is also critical.

Lao PDR hosts globally significant biodiversity and ecosystems, whose services are crucial for its economy, and in recent years there has been increasing legislation put in place to protect them. However, forest cover is under serious threat and deforestation is taking place at an alarming rate, leading to the acceleration of periods of drought.⁴ Illegal wildlife and timber trafficking are increasing challenges.

‘Peace’ refers to **SDG 16** on promoting peaceful and inclusive societies, access to justice and building effective, accountable, and inclusive institutions. Despite progress, implementation of rule of law, justice and human rights needs to be further accelerated to realise the Government priority of a Rule of Law state.

Progress has been made in establishing rule of law and in making the laws compliant with international norms and standards, including through the adoption of new laws. Moreover, the National Assembly is playing an increasingly

⁴ FAO, *Global Forest Resources Assessment 2020: Lao PDR Report*, (2020)

strong oversight role. Lao PDR has acceded to core human rights treaties and set up mechanism to meet the commitments under most international norms and standards.

However, notwithstanding a sizable legal framework for the protection of human rights, implementation remains uneven and media freedom limited. Global indices indicate scope for further progress on expanding space available for civic engagement on human rights issues, including those related to the environment. Overall, the country ranks low in global governance indicators. As a result, despite efforts to implement recommendations from the UPR, infringement of rights of vulnerable groups continue to occur.

‘Partnerships’ refers to the **SDG 17** on strengthening the means of implementation and revitalizing the global partnership for sustainable development.

As Lao PDR nears potential graduation from LDC status, steps would need to be taken to manage the anticipated implications on trade relationships and development support available, making full use of available transition time and support. Both domestic and external financial resources to support development are likely to come under pressure over coming years as the impact of the pandemic plays out.

Non-availability of disaggregated and quality data often hampers evidence-based policymaking and monitoring of SDGs. However, there are also cases where data is available, but may not be sufficiently disaggregated or accessible for it to be used in policymaking, planning, and budgeting. To ensure that the most crucial issues are addressed and that no one is left behind, it is important that vulnerable groups are given particular consideration in budgeting decisions.

Based on this analysis the following drivers of exclusion, factors of discrimination and the groups that are left behind or are at risk of being left behind can be identified:

Table 1: Drivers of inequality, factors of discrimination and Groups left behind

Drivers of inequalities	Factors of discrimination	Groups left behind
<ul style="list-style-type: none"> • FDI-led, resource-heavy growth model • Climate change and natural resource management • Inadequate investment in human capital • Governance structure and institutions 	<ul style="list-style-type: none"> • Sex, age, or disability • Geographical location and/or fragile ecology • Vulnerability to climatic shocks & nature hazards • Impact of governance (laws, policies) • Socio-economic status 	<ul style="list-style-type: none"> • Ethnic groups • Women • Children and adolescents • Migrants • Internally displaced persons • Persons at risk of statelessness • LGBTIQ • Persons with disabilities • Youth NEET • People living with HIV • Older persons • Population in informal settlements

Based on the analysis in the CCA, the following broad priorities for the acceleration of progress toward the SDGs can be drawn. These also match well the shortcomings identified by the new Government elected at the 11th Party Congress held at Vientiane, 13-15 January 2021.⁵

First, making development progress more inclusive, diversified, competitive and resilient is a key development challenge facing the country and will require continued effort to address barriers to social and economic participation, including for identified vulnerable and marginalised groups, so that all can benefit from and contribute to Lao PDR’s development;

⁵ Reported in The Laotian Times *Eleventh Party Congress Discusses 6 Targets and 7 Issues* (January 14, 2021) *Eleventh Party Congress Discusses 6 Targets and 7 Issues - Laotian Times*

Second, investment in human capital including health (including sexual and reproductive health), education, protection, and nutrition, along with challenging discriminatory norms and practices – particularly against vulnerable and marginalised groups, is imperative to enable people to realise their full potential. This would require urgent and increased investment, opportunities, and protection of human rights across the life cycle to promote the development of required skills to fuel growth and reap a democratic dividend, including addressing the specific needs of women youth and children, developing safety nets, and strengthening the connections between education and life opportunities;

Third, macroeconomic stabilisation and efforts to ensure efficient use of available development resources will therefore be a crucial determinant of capacity to fund development progress;

Fourth, valuing ecosystems, adopting circular economy principles, combating climate change, including emergency preparedness and disaster risk management, and making judicious use of environmental resources would be vital for future sustainable growth;

Fifth, promoting a more active and inclusive human rights discourse, as well as more transparent, evidence-based, and participatory policymaking over time;

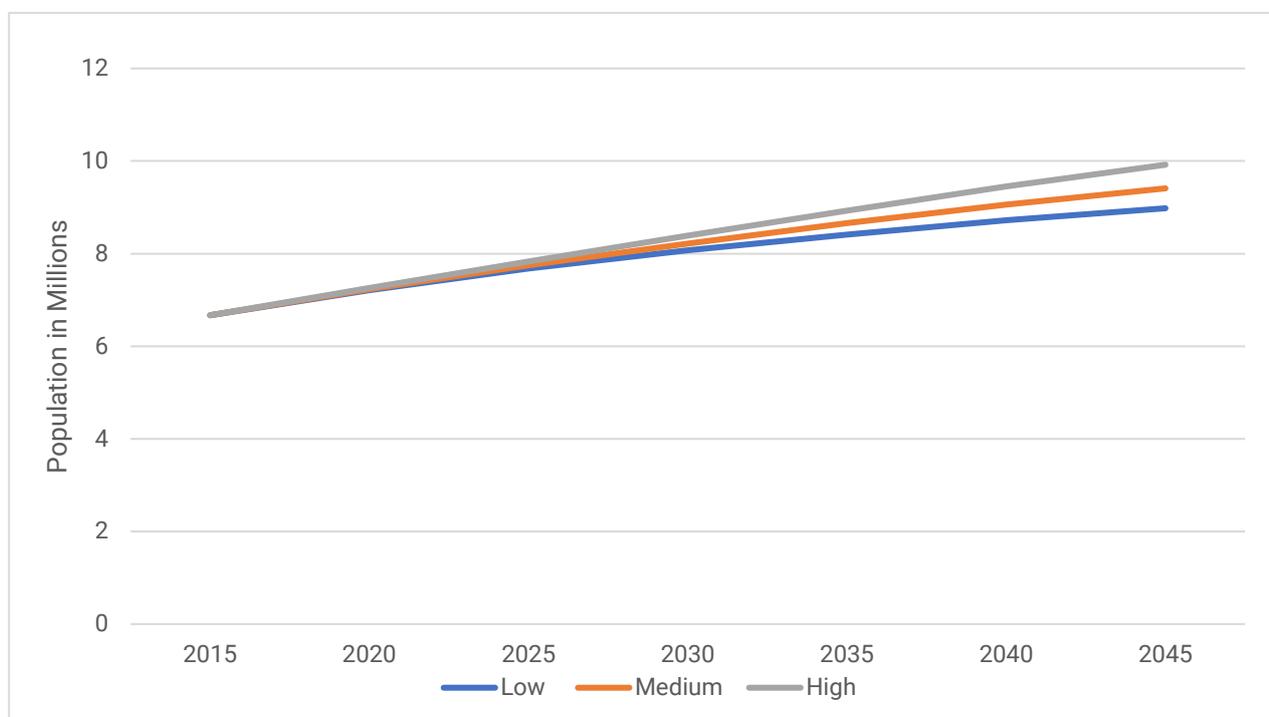
Sixth, addressing gaps in governance institutions to support the implementation of existing laws and commitments, increasing involvement of right-holders as active transformers crucial for achieving the development goals, as well as strengthening coherence and coordination; and

Seventh, achieving this will require improved availability and use of disaggregated data, as well as strengthening partnerships between different development actors, including the private sector, civil society, and regional organisations.

3. Country Context

Lao PDR is a mostly mountainous landlocked country in Southeast Asia, bordering Cambodia, the People’s Republic of China, Myanmar, Thailand and Viet Nam. Its population of 7.1 million (2020 estimate) is ethnically diverse (50 ethnic groups), predominantly rural (68 percent)⁶, and fast-growing, projected to reach 9 million by 2045.⁷ Over the past five years, it has continued to see political stability and high economic growth and the country is experiencing the fastest rate of urbanisation in Southeast Asia. It has also been amongst the fastest-growing economies in the region over the past decade, leading to significant poverty reduction and improved living conditions. The country moved from “low income” to “lower middle income” status in 2011. The country is on the verge of graduating from LDC status, expected to take place in 2026.

Graph 4: Lao PDR Population Projections



Source: MPI; LSB; UNFPA, Lao PDR Population Projections 2015-2045 (June 2018)

⁶ Lao Statistics Bureau (LSB); Ministry of Health (MoH); Ministry of Education and Sport (MoES); UNFPA; UNICEF, Lao Social Indicator Survey (LSIS) II- Survey Findings Report (2017)

⁷ Ministry of Planning and Investment (MPI); LSB; UNFPA, Lao PDR Population Projections 2015-2045 (June 2018)

Political and institutional analysis

Overall, the Lao PDR is politically stable and peaceful.

The country prides itself for political stability, peace, and social order. There are no major societal conflicts. However, factors such as unsustainable debt levels and limited space for public investment in key priorities, high and rising youth unemployment, gaps in implementation of anti-discrimination laws, restrictions on press freedoms and civic space, a growth model that results in environmental exploitation and displacement of people, significant regional and rural-urban disparities and continued deprivation of some population segments are risk factors and may trigger a demand for greater transparency in governance.

The country is governed under the principle of “democratic centralism” and led by a single party, the Lao PDR People’s Revolutionary Party (LPRP), headed by the Party’s Central Committee and managed by the Politburo. The Party Congress takes place every five years, coinciding with the elections of the National Assembly and selection of the executive roles within the Lao Government.

The President is the Head of State. The Government is the executive branch of the State. It consists of the Prime Minister, Deputy Prime Minister(s), Ministers, and chairpersons of ministry-equivalent organisations. The Prime Minister is the Head of the Government and leads the work of the Government and local administrative organisations, including appointing provincial governors. The four mass organisations -Lao Front for National Development (LFND), the Lao Women’s Union (LWU), the Lao People’s Revolutionary Youth Union (LYU), and the Lao Federation of Trade Unions (LFTU) - provide the representation of the wider population.

Provincial People’s Assemblies (PPAs) were established following the Constitutional amendment in 2016. There are 18 PPAs elected in the same manner as the National Assembly and mandated with local level issues. The 9th Plenary Session of the 1st PPA was held in 2016 in all 18 provinces and handled petitions and discussed provincial budget plans, implementation of the NSEDP, returned migrants and reduced remittances, and compensation for project

affected persons among others- suggesting a growing role of these subnational assemblies.⁸

On 13-15 January 2021, the 11th National Party Congress was held in Vientiane Capital at which the LPRP promoted H.E. Prime Minister Thongloun Sisoulith to the office of Secretary General, replacing retiring party leader and President of the Lao People’s Democratic Republic since 2016, H.E. BounNhang Vorachit. As the leader of the Central Committee this promotion also sets the stage for his appointment as the 7th President of the Republic. While reaffirming the Party’s commitment to socialism, the Congress additionally chose 13 members –up from previously 11- of the Politburo, the Party’s top political body.

Addressing the Congress, H.E. Prime Minister Thongloun Sisoulith⁹ referred to poor financial management, debt and business practices saying that “during the last five years, the debt has not been successfully tackled. Our financial management has failed. The stability of our currency has been delicate and our foreign currency reserves have been lower than planned”. He further identified seven development challenges that would need to be prioritised over the next five-year period:

- 1) **Poverty and social inequality:** the gap between rich and poor and urban and rural areas, and access to public goods (health and education) in remote areas;
- 2) **Economic vulnerabilities:** overreliance on economic growth based on natural resources exploitation, low quality of growth, poor distribution of wealth, and weak manufacturing capacity;
- 3) **Fiscal vulnerabilities:** high public debt, low state revenue collection capacity, financial leakages, the insufficient state budget for development requirements (due to the need to service the public debt);
- 4) **Monetary supply vulnerability:** trade is seen as having a surplus, but the balance of payment has tended to decline; prices tended to rise (inflation) and exchange rates fluctuated at times, leading to informal markets;
- 5) **COVID-19:** high unemployment rate, business sectors hit by the pandemic;
- 6) **Lack of rule of law:** poor investment climate;
- 7) **Low-quality labour force:** difficulty in adapting to the new normal and the 4th industrial revolution.

⁸ Summary of the 9th Plenary Sessions of the 1st PPA Legislature

⁹ Reported in The Laotian Times *Eleventh Party Congress Discusses 6 Targets and 7 Issues* (January 14, 2021)

To address these shortcomings, the Prime Minister further described the six pillars and 25 outputs under the 9th NSEDP 2021-2025¹⁰ endorsed by the Congress stating these would: stimulate *Economic Growth* setting Laos on a path towards sustaining steady and stable economic growth; upgrade the nation’s supply of *Human Capital*; improve *Standards of Living* raising the material standard of living for the people; promote

Environmental Protection calling for conservation of the environment; enhance *Infrastructure* calling for regional and international integration, and improve *Governance* consisting of the need to strengthen the mechanisms of state governance so as to ensure that the principles of social equality, justice, and the rule of law.¹¹

Table 2: Six pillars and 25 outputs under the 9th NSEDP

1. Economic Growth	2. Human Resources	3. Standard of Living	4. Environmental Protection	5. Infrastructure	6. Governance
<ul style="list-style-type: none"> • Macro-fiscal stabilisation • Investment management • Growth diversification • MSMEs • SOEs management 	<ul style="list-style-type: none"> • Healthcare and nutrition • Education • Labour force • Science and technology 	<ul style="list-style-type: none"> • Rural livelihoods • Infrastructure and public service delivery • Marginalised groups • Youth • Social protection • UXOs 	<ul style="list-style-type: none"> • Sustainable resource management • Green growth and climate resilient development • DRR 	<ul style="list-style-type: none"> • Infrastructure development • Regional and international trade • Intra-regional drivers of growth • Urban development and SEZs 	<ul style="list-style-type: none"> • Efficient public administration • Improving public service delivery • Political stability and harmony

As a relatively small landlocked country, relationships with neighbouring countries and groups are particularly important. China is a major trading partner and source of investment. Lao PDR is one of the main beneficiaries in Southeast Asia of projects under the Belt and Road Initiative (BRI).¹² Flagship projects include a high-speed railway stretching from China’s Yunnan province to the capital Vientiane (with planned southbound continuation to Singapore), as well as hydropower dams along the Mekong and its tributaries. As a complement to the BRI, Beijing has promoted the Global Energy Interconnection –a multi-trillion-dollar worldwide electricity network. The State Grid Corporation of China has been a key player in this effort.

Viet Nam and Thailand also represent important partners for trade, labour markets for high numbers of

regular and irregular migrant workers and sources of direct investment as well as significant development cooperation at large. Together with Lao PDR, Cambodia, and Myanmar, they are also members of ASEAN, with Lao PDR being a member since 1997. Over recent years, ASEAN’s unity and centrality have been challenged by United States-China rivalry in which Southeast Asia emerged as a region where the global powers’ strategic ambitions and economic interests intersect. This rivalry may hamper the ASEAN regional bloc’s ability to reach consensus on sensitive issues, including the management of common public goods (the Mekong River; South China Sea) and the overall achievement of the ASEAN Community Vision 2025.

Against various governance indicators Lao PDR ranks low in some of its global ratings.

¹⁰ MPI, 9th National Socio-Economic Development Plan (NSEDP) (draft- December 2020)

¹¹ Reported in The Laotian Times *Eleventh Party Congress Discusses 6 Targets and 7 Issues* (January 14, 2021)

¹² UN Department of Economic and Social Affairs, (DESA) *Jointly Building Belt and Road towards SDGs: Lao PDR* (February 2021)

Table 3: Lao PDR's Global Rankings

#	Index	Organization	Year	Rank	Direction	Rank	Year
1	Doing Business ¹³	World Bank (WB)	2020	154/190	=	154/189	2019
2	Logistics Performance Index ¹⁴	WB	2018	82/160	↑	152/160	2016
3	Index of Economic Freedom ¹⁵	The Heritage Foundation	2021	141/180	↓	129/178	2020
4	Sovereign Credit Rating ¹⁶	Fitch	2020 (Sept)	CCC	↓	B(-)	2020 (Pre-Sept)
5	Country Risk Classification ¹⁷	OECD	2020	7 [1=Best 7=Worst]	=	7 [1=Best 7=Worst]	2010-2015
6	The Corruption Perception Index ¹⁸	Transparency International	2020	134/180	↓	130/176	2019
7	Democracy Index ¹⁹	The Economist Intelligence Unit	2020	161/167	↓	155/167	2019
8	Worldwide Press Freedom ²⁰	Reporter Without Borders	2021	172/180	=	172/180	2020
9	Global Innovation Index ²¹	WIPO	2020	113/131	No information available		
10	E Government Development Index ²²	UNDESA	2020	167/193	↓	162/193	2018
11	Global Competitiveness Index ²³	World Economic Forum (WEF)	2019	113/141	=	113/141	2015-16
12	Statistical Capacity Indicators ²⁴ (Overall score)	WB	2020	62.2/100	=	67.8/100	2019
13	Human Development Index	UNDP	2019	137/189 (0.613)	↑	137/188 (0.609)	2015
14	Sustainable Development Goals	SDSN	2020	116/166	No information available		
15	Political Stability and Absence of Violence / Terrorism ²⁵	WB Worldwide Governance Indicators	2019	64.76	↑	62.38	2014
16	Government Effectiveness	WB Worldwide Governance Indicators	2019	20.67	↓	39.42	2014
17	Voice and Accountability Index	WB Worldwide Governance Indicators	2019	3.94	↓	4.43	2014
18	Rule of Law Index	WB Worldwide Governance Indicators	2019	17.31	↓	25.48	2014
19	Regulatory Quality Index	WB Worldwide Governance Indicators	2019	23.56	↑	21.63	2014
20	Control of Corruption Index	WB Worldwide Governance Indicators ²⁶	2019	13.46	↓	21.15	2014
21	Global Freedom Score ²⁷	Freedom House	2020	14/100 (Not Free)	=	14/100 (Not Free)	2019
22	Environmental Performance Index (EPI)	Yale University	2020	130/180 (34.8)	↑	153/180 (43)	2018
23	Climate Risk Index (CRI)	German Watch	2019	45/130 ²⁸	NA	22/135	2018

¹³ World Bank *Doing Business Indicators Database*

¹⁴ World Bank *Aggregated Logistics Performance Index 2012-2018*

¹⁵ The Heritage Foundation, *2020 Index of Economic Freedom*

¹⁶ Fitch Ratings, *Rating Action Commentary- Fitch Downgrades Laos to CCC* (23 September 2020)

¹⁷ OECD, *Country Risk Classifications of the Participants to the Arrangement on Officially Supported Export Credits*

¹⁸ Transparency International, *Corruption Perceptions Index 2020*

¹⁹ Economist Intelligence Unit, *World Democracy Index*

²⁰ Reporters Without Borders, *2020 World Press Freedom Index*

²¹ Global Innovation Index 2020 (September 2020)

²² UN Department of Economic and Social Affairs, *2020 United Nations E-Government Survey* (July 2020)

²³ World Economic Forum, *Global Competitiveness Report 2019: How to end a lost decade of productivity growth* (October 2019)

²⁴ World Bank, *Statistical Capacity Indicators*

²⁵ World Bank, *Worldwide Governance Indicators*

²⁶ For all World Bank Worldwide Governance Indicators, percentile rank (0-100), with 0=lowest ranked country, 100=best ranked country.

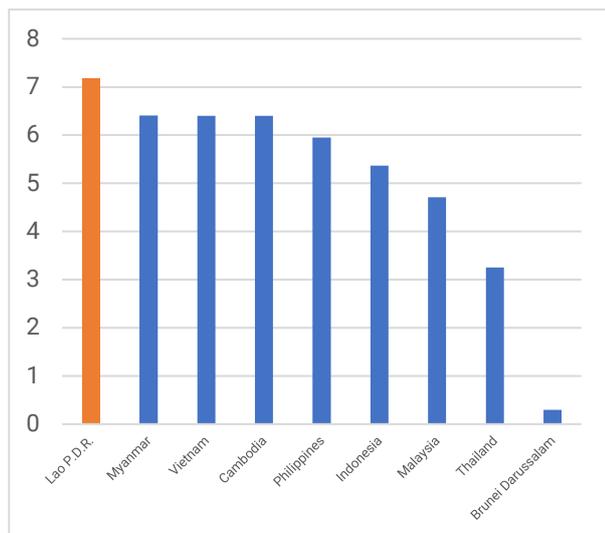
²⁷ Freedom House, *Global Freedom Score*

²⁸ Read as follows: Lao PDR has been the 45th most affected country by extreme weather events in 2019 (fatalities and economic losses)

Economic transformation analysis

Lao PDR has been amongst the fastest growing economies in Southeast Asia. It registered a growth rate of over 7 percent over past decade (2009-2019) largely driven by foreign-led investment in hydropower and mining, gradual opening, and regional integration.²⁹ Despite widening inequalities, this robust growth supported consistently falling levels of poverty.

Graph 5: Average GDP Growth 2009-2019



Source: IMF World Economic Outlook, April 2021

However, economic transformation is taking place only slowly. The share of agriculture in GDP declined from 17 (2016) to 15 percent (2020); that of industry increased from 29 to 32 percent and services remained at around 42 percent over the same period. The industrial sector primarily comprises the electricity, mining, and construction/infrastructure with limited contribution from manufacturing. Among services, tourism, and related activities, is a vibrant and growing sector but has been seriously impacted by COVID-19.

Much growth has been driven by investment in harnessing natural resources and in the 11 Special Economic Zones (SEZs) across the country, with limited connections to the broader economy. As a result, production and exports remain undiversified. About 80 percent of exports are of primary products and labour-intensive exports account for only 13

percent of total exports. Nearly three-fourths of exports are destined for the three neighbouring countries of China, Thailand, and Viet Nam.

In terms of employment, agriculture remains the largest employer with 61 percent of total workforce (down from 74 percent in 2008), services account for 26 percent of employment, up from 19 percent in 2008, with industry accounting for the remaining 13 percent.³⁰ Formal job creation, primarily concentrated in cities, has not kept pace with population growth, and as a result agriculture has tended to act as a sponge to absorb the workers and provide some livelihood opportunities, but typically in marginal, low-productivity activities. Fewer opportunities have been created for women and youth to take part in the economic development, driven in particular by women's high burden of unpaid house labour. Many migrants that have travelled from rural to urban areas find work only in the informal sector, either in Lao PDR or further afar, often with similarly low productivity prospects.

There has been some progress in building a private sector environment that is more conducive to dynamic productivity growth and job creation, but substantial challenges have proved persistent. Despite efforts to date,³¹ in the Doing Business Index the country ranked 154 (out of 190 countries) in 2020. For "starting a business" the country ranked at 181. Limited availability of technical skills, high economic informality, inadequate innovation and technological advancement, weak protection of property rights, corruption,³² bureaucratic and burdensome business environment and approval processes has limited the emergence of a vibrant and dynamic private sector. These challenges have been noted in the 9th NSEDP.³³

Lao PDR's geographic position and agreements with neighbours offer the opportunity for regional integration to be a major driver of progress. The country has concluded a number of regional trade agreements as member of ASEAN which give preferential market access for Lao exporters. This includes the ASEAN+1 agreements (with China,

²⁹ World Bank, *Lao PDR Systematic Country Diagnostic: Priorities for Ending Poverty and Boosting Shared Prosperity* (March 2017)

³⁰ World Bank, *World Development Indicators*, 2021

³¹ Including Prime Minister's Order No. 2 to improve the business environment issued in February 2018

³² Reported in *The Laotian Times*, "State Inspection Authority Reveals Massive Losses to Corruption" (March 2021)

³³ MPI, 9th NSEDP (draft- December 2020)

Japan, India, Korea, Hong Kong), the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) and the recently concluded Regional Comprehensive Economic Partnership (RCEP), a multi-partner free trade agreement covering 15 countries including all ASEAN members, as well as China, New Zealand, and Japan, among others. These agreements also set the tone for e-commerce in Lao PDR, as this is part of the AANZFTA and RCEP, complementing the ASEAN e-commerce agreement and the e-commerce negotiations at the World Trade Organisation (WTO). At the ASEAN level, Lao PDR has made commitments to its peers in the context of the ASEAN Trade in Goods Agreement, ASEAN Framework Agreement on Services, and the ASEAN Comprehensive Investment Agreement that are setting the tone for the country's regional integration.

However, realising regional integration opportunities depends on increasing connectivity physically, between institutions, and between people. Physical connectivity has been advanced through strategic investments in infrastructure but would now benefit from efforts to strengthen forward and backward economic linkages within the economy, as well working to reduce non-tariff barriers to trade. Institutional connectivity would support regulatory consistency across the region, which in turn would support both increased trade, and improved access to regional financial markets. Connectivity amongst people would facilitate movement of people, which is particularly important for the services sector. Improving compliance with regional and global technical standards in trade, investment, and infrastructure, and implementing commitments on trade environment and facilitation under various treaties including WTO and ASEAN would also increase the benefits from regional integration agreements. Large-scale investments in connectivity infrastructure also entail significant financial and environmental costs that would need to be considered and balanced.

The ASEAN-UN Plan of Action to implement the Joint Declaration on Comprehensive Partnership between ASEAN and the United Nations (2021-2025) sets out priorities for the UN in working with the ASEAN institutional architecture to support realisation of regional opportunities.

Lao PDR has invested heavily in major infrastructural projects, with long gestation periods. These include a major rail project,³⁴ hydropower projects, and mining. Hydropower generation and exports have been central to the country's economic growth, with a vision to become the "Battery of Southeast Asia". As a result, the country has 400 planned and existing dams. However, these investments are likely to have long gestation periods before the full benefits are realised, whilst the foreign-currency debt that made the investments possible has immediate implications. It has also been noted that the Government has an equity stake in hydropower projects where it acts both as an investor and as a regulator, without necessarily establishing a clear division of responsibilities thereby potentially creating a conflict of interest, and diluting the accountability of investors and lenders to the country, and imposing a burden of contingent liabilities on the Government.³⁵

Lao PDR is facing increasing challenges to control illegal transboundary activities such as trafficking of drugs,³⁶ irregular migration³⁷, smuggling of wildlife³⁸ and timber, and money laundering.³⁹ With the opportunities from regional integration, also come major challenges from large, sophisticated crime operations in the region and further afar. Lao PDR shares over 5,000 kilometres of border with its five neighbours, all larger countries in terms of their respective populations and economy. Much of this border area is remote and cross-border security away from the official land border crossings and international airports is limited and under-resourced.

³⁴ A recent modelling exercise on the high-speed rail project questions the revenue potential or clear commercial demand for the new high-speed rail project Lao PDR. It is estimated that for the railway to be viable, 87 round trips per day are required (by comparison, there are 18 trains between London and Paris daily via Eurostar). ADB Institute, *Reevaluating the Economic Benefits of the Lao People's Democratic Republic- People's Republic of China High-Speed Rail and its Implications for Fiscal Stability of the Lao PDR* (September 2020); Some of the risks associated with this ambitious rail project were also highlighted by the World Bank: World Bank, *Transforming Lao PDR from a Land-locked to a Land-linked Economy* (June 2020)

³⁵ Arne Trandum; Focus on the Global South, *Offloading Risks and Avoiding Liabilities: How Financial Institutions Consider Hydropower Risks in Laos* (February 2019)

³⁶ UNODC, *Synthetic Drugs in East and Southeast Asia: Latest developments and challenges* (May 2020)

³⁷ UNODC, *Trafficking in Persons from Cambodia, Lao PDR, and Myanmar to Thailand* (August 2017)

³⁸ *Convention on International Trade in Endangered Species of Wild Fauna and Flora, Sixty-Seventh Meeting of the Standing Committee (Johannesburg, South Africa), (September 2016)*

³⁹ National Committee for Anti-Money Laundering and Counter-Financing of Terrorism, *Abstract on National Money Laundering and Terrorist Financing Risk Assessment of the Lao PDR*

While all countries along the Mekong are impacted by these challenges, Lao PDR is particularly vulnerable.

This is because Lao PDR is the only country sharing a land-border with all other countries in the region, combined with limited capacities to respond. This has led Lao PDR to become a focus for increased illegal transboundary activities. These illegal economic activities are enabled further by governance challenges, lack of regulatory supervision and corruption. This deprives the country of resources that could be used to finance public services, enhance education and health care and create more employment opportunities. It also has a deleterious impact on the financial system of the country.

North-western Lao PDR forms part of the Golden Triangle spanning into Myanmar and Thailand.

Lao PDR not only has a substantial domestic production of opium for want of alternative profitable crops, with an estimated 5,700 hectares under cultivation.⁴⁰ It is also highly vulnerable to trafficking of synthetic drugs, precursor chemicals, and opiates. With increased anti-drug operations in Myanmar and Thailand, traffickers have increasingly re-routed their shipments through Lao PDR which is said to be the “missing link” when it comes to combating organised crime in the region.⁴¹ With increased production (and stocks), improved quality and declining prices, drug trafficking may see an increase in coming years, and even COVID-19 may not act as a deterrent except, to some extent, to “street” level drug peddling.⁴² Drugs trafficked through and produced in the country also tend to lead to high levels of consumption of illicit drugs and associated health problems.

The criminal proceeds from this wide range of predicate crimes are increasingly being laundered through Lao PDR.

Organised criminal networks are taking advantage of the cash-based economy, weak anti-money laundering compliance within the regulated sector, especially the banking sector, where customer due diligence and ‘know your customer’ policies remain limited. A lack of capacity in law enforcement agencies to ‘follow the money’ in criminal investigations further exasperates the situation. While Lao PDR has an anti-money

laundering law that is compliant with international standards, in practice, investigators remain focused on the predicate crime and continue to rely on securing confessions rather than following and capturing evidence. Prosecutors have limited understanding of how to prosecute money laundering offences, in particular those involving third party launderers, and rarely consider using appropriate criminal asset forfeiture provisions. These issues are likely to be identified in the forthcoming Financial Action Task Force (FATF) anti-money laundering and counter financing of terrorism (AML/CFT) mutual evaluation that is scheduled for Lao PDR in mid-2021. The risk of Lao PDR returning to the FATF review group mechanism following the evaluation because of deficiencies in its AML/CFT regime is high.

The limited tax base, leading to persistently low levels of revenue generation, combined with balancing the longer-term anticipated economic benefits from these strategic investments with the immediate financial costs has exposed the country to high fiscal risks.

Macroeconomic challenges were emerging prior to COVID-19, but the pandemic, and its severe economic impact, has added urgency to the issue. As a result, Lao PDR’s international credit ratings by both Fitch and Moody’s have been downgraded recently, citing severe liquidity stress, debt servicing burden and constrained financing options.⁴³

Measures to address the fiscal situation will have an important bearing on development progress over the coming years.

Macroeconomic stability is one of the priorities under the 8th and continues into the 9th NSEDP, being recognised as a precondition for the country to achieve broader development aspirations. The mounting external debt and debt servicing obligations have become a significant cause of concern, prompting statements by the Prime Minister to the National Assembly on measures to address the situation.⁴⁴ Servicing this debt and potential contingent liabilities will limit capacity to finance other development priorities over coming years.

⁴⁰ UNODC; Lao National Commission for Drug Control and Supervision, *Southeast Asia Opium Survey 2015- Lao PDR, Myanmar*

⁴¹ UNODC, *Synthetic Drugs in East and Southeast Asia: Latest developments and challenges* (May 2020)

⁴² Ibid.

⁴³ Fitch Ratings, *Rating Action Commentary- Fitch Downgrades Laos to CCC* (23 September 2020); Reported by Yahoo Finance, *Laos, Government of- Moody’s downgrades Laos’s rating to Caa2, outlook changed to negative* (August 2020)

⁴⁴ Reported in *Vientiane Times, Government Outlines plans to Tackle Debt Burden* (October 2020)

Investment in Human Capital

Lao PDR is ranked 111 out of 157 countries in the Human Capital Index (HCI), which measures the progress on human capital that a child born today can expect to attain by age 18, based on health and education conditions. Between 2012 and 2017, the HCI value for Lao PDR increased from 0.41 to 0.45, but still indicates that a child born today will achieve only 45 percent of their productive potential.⁴⁵

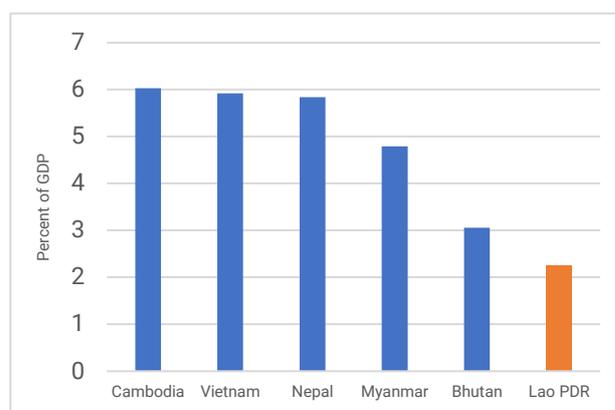
This is particularly important given the window of opportunity afforded by the country's demographic transition. More than half of the population is under the age of 25 years. The ratio of the working age population to children and older persons dependent on them is projected to fall from 61 percent in 2015 to 47 percent in 2045, due to decline in the population of below 14 years (despite a rise in the population of 65+ years old), and it will be several decades before the population of the country gets old. If the cohorts of adolescents and youth reaching working ages over the coming years are healthier and better educated, they will have the potential to achieve higher levels of labour force participation and higher wages than previous generations, and so drive a rapid transition to a more productive and competitive economy. The challenge therefore is to “get rich before getting old” and reap the demographic dividend.

This is a one-off transformational opportunity but calls for investment in human capital, skills, and knowledge among youth. Investment in young children specifically to get the best start in life, especially girls in the most deprived ethnic communities, would have numerous positive results including reduced rates in child marriages, adolescent births, and total fertility rates in these groups.

Whereas the demographic transition presents a great opportunity for the development of Lao PDR if sufficiently invested in, a failure to make use of this window of opportunity would risk leaving a great part of Lao PDR's labour force in low-productivity activities and with higher incidence of poverty. If poverty is deepened, the risk for social and economic frustrations fuelled by poverty will increase, leaving women and children particularly vulnerable to violence, exploitation, and harmful practices.

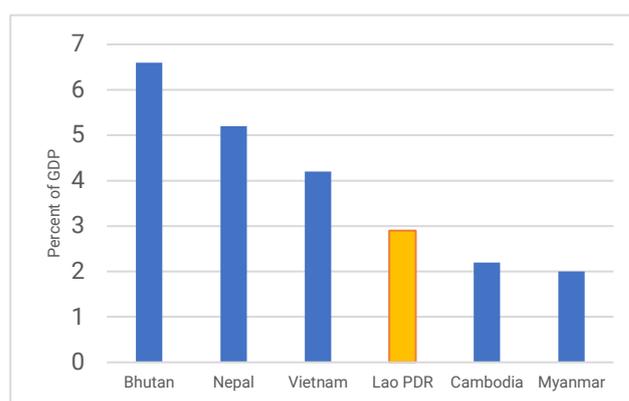
Whilst progress has been made across many important indicators, current investment rates fall well below regional peers. The country has made significant progress in reducing wasting and stunting, improving healthcare and enrolment in basic education. However, undernutrition, stunting among children, inequitable access to health and education, and lack of meaningful social protection services continue to hamper building human capital. Lao PDR spends far less on education, health, and social protection as a percentage of GDP compared to the ASEAN average or with comparable countries, including the average of LDCs.

Graph 6: Health Expenditure, by regional comparison



Source: World Bank, World Development Indicators, 2021

Graph 7: Education Expenditure



Source: UNESCO, Global Education Monitor, 2020

The COVID-19 pandemic has exacerbated pre-existing inequalities in human capital outcomes. Education disparities have aggravated due to lockdown and learning losses especially for young children, girls, and those with little access to remote learning.

⁴⁵ Multi-Stakeholder Taskforce to Study the Impact of COVID-19 to support a Determination of the 9th NSEDP and SDG Localization in Lao PDR, *Investing in the Human Capital of Lao PDR* (September 2020)

Climate change, environmental management, and disaster risk analysis

Lao PDR is rich in natural resources, the exploitation of which has been the mainstay of rapid economic growth over the past two decades. It has abundant water resources with a hydropower potential of 25,000 MW. During the 1940s, forest cover was 70 percent, although this subsequently declined to 40 percent in 2010. In 2019, following a change in measuring methodology, government estimate of forest cover was estimated at 57.5 percent⁴⁶ meaning that despite very rapid depletion at the rate of 1 percent annually, forest cover is still among the highest in the region. The causes of deforestation and forest degradation include hydropower and mining concessions development, timber harvesting, slash and burn practices for agricultural purposes, heavy use of pesticides, and frequent flooding and forest fires. Many of these projects overlap the national protected areas, which are biodiversity hotspots.⁴⁷

The country has exploited natural resources twice as much as other countries at comparable levels of development.⁴⁸ Soil degradation has also been increasing rapidly, with an estimated 30 percent of villages reporting land that is affected by soil degradation in varying degrees.⁴⁹ The cost of environmental degradation was estimated at above 7 percent of GDP in 2013.⁵⁰ The Government has worked to strengthen its environmental protection mechanisms within multilateral environmental agreements, but capacity and implementation challenges remain.

Despite experiencing fewer natural hazards than other countries in the region, Lao PDR's population is vulnerable to disaster risks. The national risk profile of Lao PDR has identified seven major hazards which include storms, flooding, droughts, as well as epidemics, earthquakes, landslides and UXOs.⁵¹ Of these, storms and localised flooding are most frequent occurrences during the monsoon season with a significant number of settlements located on the flood

plains. While the mountainous regions separating Lao PDR and Viet Nam often protect the country from typhoon impacts, heavy rain, flooding, and associated landslides still have the potential to result in losses of life, property, and production. Hydrometeorological hazards form the greatest risk to the people, livelihoods, infrastructure, and economy as flooding is common on the eight river basins across the country. The most vulnerable areas of the country are the low-lying flood plains along the Mekong River and its major tributaries in the central and southern parts of Lao PDR.

Lao PDR is highly vulnerable to climate change. Temperatures in the Mekong Basin are projected to rise by 1-2 degrees, and whilst some areas are expected to become affected by increased seasonal droughts, with precipitation falling between 10-30 percent, other areas will experience an increased annual rainfall of approx. 15 percent over the course of the next 20-30 years.⁵² The frequency and intensity of extreme weather events is projected to rise. The country has already experienced a number of extreme weather events including floods, droughts, landslides, typhoons and storms causing riverbank erosion and destroying crops, livestock, livelihoods, and infrastructure. Climate change will also affect the existing network of dams and their power generation capacity.⁵³

Climate-induced disasters are compounded by unsustainable practices. The Mekong and Sekong river basins, which are already prone to regular flooding, face exacerbated effects due to deforestation and land degradation due to agricultural practices.⁵⁴ Nearly 47 percent of the villages, representing nearly 3 million people, have been exposed to at least one climate-change related hazard.⁵⁵ Droughts were identified mainly in the northern provinces⁵⁶ while southern provinces were more prone to floods.⁵⁷

⁴⁶ Under the new methodology MAF estimates the forest area based on the five-yearly forest cover maps and is used for reporting under REDD+ and UNFCCC. Forest area figures are thus not comparable with previous years

⁴⁷ Ministry of Natural Resources and Environment (MoNRE), National Bio-diversity Strategy and Action Plan (NBSAP) 2016-2025

⁴⁸ World Bank, Lao PDR Systematic Country Diagnostic: Priorities for Ending Poverty and Boosting Shared Prosperity (March 2017)

⁴⁹ Another estimate indicates that as of 2010, 84 percent of the land was considered at least moderately degraded, but due to the lack of comprehensive environmental assessments, the drivers behind the degradation remain disputed; ADPC; UNDRR, Disaster Risk Reduction in Lao PDR: Status Report (July 2019)

⁵⁰ World Bank, Lao PDR Systematic Country Diagnostic: Priorities for Ending Poverty and Boosting Shared Prosperity (March 2017)

⁵¹ National Disaster Management Committee, National Risk Profile of Lao PDR (2010)

⁵² Mekong River Commission (MRC), <https://www.mrcmekong.org/about/mekong-basin/climate/>

⁵³ USAID, Climate Change in the Lower Mekong Basin: An Analysis of Economic Values at Risk (July 2014)

⁵⁴ UNESCO, Climate Change Vulnerability Mapping for Greater Mekong Sub-region (2015)

⁵⁵ UN-Habitat, National Climate Change Vulnerability Assessment for Disaster Risk Management in Lao PDR (Preliminary Results- A paper prepared for CCA (August 2020)

⁵⁶ Bokeo, Oudomxay, Luangnamtha and Luangprabang; UN-Habitat, National Climate Change Vulnerability Assessment for Disaster Risk Management in Lao PDR (Preliminary Results- A paper prepared for CCA (August 2020)

⁵⁷ Nearly half of villages in Champasak, Attapeu and Sekong registered impact on one or more occasion in 2019; UN-Habitat, National Climate Change Vulnerability Assessment for Disaster Risk Management in Lao PDR (Preliminary Results- A paper prepared for CCA (August 2020)

Storms, landslides and earthquakes are also experienced, although with significantly lower risk. Because of its distance from the ocean, low seismic activity and being landlocked, the country is relatively protected from disasters of catastrophic scale, unlike many of its neighbours. However, in 2018, the country was affected by three consecutive disasters with significant damage and loss estimated at USD 371.1 million.⁵⁸ The World Bank has estimated annual expected losses for Lao PDR from flood events ranging from 2.8 percent to 3.6 percent of GDP.⁵⁹

The country has taken several mitigation measures to reduce GHG emissions. Lao PDR is off-track for increasing forest cover to 70 percent by 2020 (now shifted to 2025), achieving 30 percent renewable energy (excluding large hydro) and achieving 10 percent share of biofuels in transport fuels. It has already achieved other targets like electrification and expansion of major hydroelectric projects, and is on track for climate change action plans.⁶⁰ With the growing focus in the 9th NSEDP on making growth less resource-intensive and low-carbon, natural resource degradation may become more contained. This will be particularly important for the livelihoods of rural people, who depend heavily on natural resources and increasingly cope with reduced access to natural resources and enhanced risks and vulnerability to disasters.⁶¹

Climate change impacts, especially changes in precipitation, increased variability, frequency, and intensity of extreme events, pose challenges to lives and livelihoods, particularly the agriculture sector. Extreme weather events are putting ever more pressure on natural resources (land, water, soil, forests), increasing the risk of disasters and making agriculture more vulnerable and unstable, decreasing earnings, and increasing pressure to migrate to cities in search of livelihoods.

Agriculture was also affected by COVID-19 due to a sharp drop in demand and disruption of supply chains. At a time when smallholder-farmers were hoping to benefit from shifting subsistence to commercial crops, the pandemic has prompted reconsideration of riskier, but likely more profitable, decisions on what to

farm. COVID-19 has further exacerbated the agricultural problems that the country faced due to the 2019 drought in the north and floods in the south that resulted in food shortages.⁶²

Lao PDR's Agricultural Development Strategy to 2025 and 2030 Vision aims at "ensuring food security, producing comparative and competitive agricultural commodities, developing clean, safe and sustainable agriculture and shift gradually to the modernisation of a resilient and productive agriculture economy linking with rural development contributing to the national economic basis." As set out in the strategy, building resilience to disaster risks and climate change in agriculture, including by small-holder farming system diversification, climate-smart farming techniques, and creating off-farm employment opportunities would be of critical importance.

Climate change also has direct and indirect impacts on health of individuals and communities. These impacts are caused by extreme events like floods, droughts, heat waves and storms and also by changes related to rainfall, temperature and air quality. The degree of impact is dependent on the pre-existing socio-economic conditions including poverty, health and nutrition levels, education, and geographical location among others. The risk of the following conditions is expected to increase due to climate change: dengue fever, severe diarrhoea, dysentery, food poisoning, hepatitis (in the northern region), typhoid fever, especially in the northern and central regions, injuries, and deaths due to extreme weather events, acute malnutrition and anaemia after extreme weather events.⁶³

The environmental burden of disease already constitutes 26 percent of the disease burden in Lao PDR. Over 80 percent of illnesses, injuries and deaths occurring due to climate change are in children, particularly those living in poor and underserved areas. Even when surviving, the impacts of poor health and undernutrition can be irreversible and have economic impacts that continue throughout life.⁶⁴

⁵⁸ These disasters were the storm Son-Tinh which caused the breach of Xe pien-Xe Nam Noy hydropower saddle dam causing flash flooding; the storm Bebinca in August; and breach of dam Attapeu; ADPC; UNDRR, *Disaster Risk Reduction in Lao PDR: Status Report* (July 2019)
⁵⁹ Government of Lao PDR; UN; World Bank; GFDRR; EU, *Post-Disaster Needs Assessment, 2018 Floods, Lao PDR* (2018)
⁶⁰ Government of Lao PDR *Nationally Determined Contribution* (August 2020)

⁶¹ LSB; World Bank, *Poverty Profile in Lao PDR: Poverty Report for the Lao Expenditure and Consumption Survey 2018-2019* (2020)
⁶² WFP; FAO, *Special Report: 2019 FAO/WFP Crop and Food Security Assessment Mission to the Lao People's Democratic Republic* (April 2020)
⁶³ WHO; UNFCCC, *Climate and Health Country Profile 2015- Lao People's Democratic Republic* (2015)
⁶⁴ *Ibid.*

Transboundary haze pollution and deteriorating air quality are growing concerns.⁶⁵ Since the late 1990s transboundary haze pollution has been an almost annual occurrence in Southeast Asia and affects particularly the five countries that make up the Greater Mekong Subregion (GMS) namely Lao PDR, Thailand, Myanmar, Viet Nam and Cambodia. Lao PDR suffers from haze pollution coming from neighbouring countries and also contribute to haze pollution through swidden agriculture, slash and burn forest clearing, burning of agricultural residue (maize, rice, sugarcane), and through burning of solid waste. In Lao PDR the emergence of contract farming with agricultural conglomerates has encouraged monoculture of corn with huge amounts of corn waste which is burnt by the farmers rather than ploughed back into the soil as it is convenient and cheaper. Forest fires and biomass burning are the biggest sources of GHG emissions with adverse health and economic impacts.

However, Lao PDR has now put laws and regulations in place to prevent and mitigate forest fires, open burning, and air pollution to protect public health and environment. In addition, the Lao PDR National Pollution Control Strategy to 2025 and 2030 Vision includes transboundary pollution issues. There are also regional commitments made by the ASEAN member countries to prevent, control, and mitigate haze and transboundary pollution. However, there are gaps in political will, monitoring and enforcement besides extra-juridical and sovereignty issues when it comes to regional cooperation.⁶⁶

The lack of rights-based environmental governance makes managing the implications of these environmental factors for development more challenging. Good environmental governance requires strong environmental laws and effective institutions for implementation, monitoring and evaluation and to protect and promote environmental rights, especially for those dependent on natural resources for their livelihoods. Rights to participation, access to information, free, prior, and informed consent and freedom of expression are critical prerequisites for the protection of environmental rights to land, access to natural resources, and the right to a safe, clean, healthy and sustainable environments. Upland ethnic communities are particularly at risk including by the non-enforcement of customary land rights, land

alienation to make way for large development projects without meaningful consultation or adequate compensation with affected communities having little recourse to legal remedies.

Box 1: Environmental dimensions of SDGs have an impact on 92 SDG indicators. A scorecard on the progress on the environmental dimension of SDGs shows that between 2004 and 2020 Lao PDR has registered a positive change for 15 out of the 92 environment related SDG indicators and a negative change for 10, indicating the need for trend reversal. Five out of the 92 environment related indicators have registered little positive or negative change, indicating the need for accelerated action. The clearest indication from the scorecard is the significant data gap, with insufficient data or no data currently available for 62 of the indicators informing the environmental dimension of the SDGs.⁶⁷

In sum, Lao PDR is governed by a democratic centrism that has maintained peace and delivered high levels of headline economic growth, but this growth has been accompanied by only limited economic transformation, with much of the population continuing to work in relatively low-productivity agriculture.

Lao PDR's geographic situation offers significant opportunities for economic development through integration into the broader region, which have been pursued both through agreements with neighbouring countries and major investments in infrastructure. However, these investments, combined with broader challenges of fiscal management and the impact of the COVID-19 pandemic have stretched Government finances. Engagement with the broader region has also exposed the country to increasing risks from trans-national organised crime.

Lao PDR is in the early stages of a demographic transition, the changing pattern of mortality, fertility, and population growth rates, combined with growing urbanisation. Protecting investments in human capital, especially for the young, therefore offers the potential to realise a transformational demographic dividend.

The exploitation of natural resources that has driven much of the rapid economic growth to date is reaching environmental limits, and growing risks are emerging. Despite not having the highest direct exposure to climate change-induced disasters, Lao PDR remains highly vulnerable due to its dependence on natural resources for incomes and livelihoods.

⁶⁵ UNDP; UNEP, *Transboundary Smoke Haze Pollution, Greater Mekong Subregion Transboundary Environmental Issues Analysis Brief* (draft)

⁶⁶ Ibid.

⁶⁷ UNEP, *Progress on the Environmental Dimensions of the SDGs- A Scorecard* (2020)

4. National Vision vis-à-vis the 2030 Agenda

The National Socio-Economic Development Plan (NSEDP) is the key strategic five-yearly document that provides the vision for the country's development. The national development is also guided by the Ten-Year Socio-Economic Development Strategy (2016-2025) and Vision 2030. The Vientiane Declaration on Partnership for Effective Development Cooperation (2016-2025) is the overarching framework for development cooperation in Lao PDR.

In 2020, the 8th NSEDP 2016-2020 saw its final year of implementation. The 8th NSEDP had three outcomes: (1) *inclusive economic growth* achieved through structural economic transformation; macro-economic stability; integrated development planning and budgeting; balanced regional and local development; improved labour force productivity; enhanced competitiveness of local entrepreneurs; and improved regional integration and cooperation (2) *enhanced human development* through poverty reduction; food security and nutrition; access to quality education, health and social protection; protection of national culture; and maintaining political stability, social peace, order, justice and transparency and (3) *improved environmental protection* through sustainable natural resource management; and preparedness for natural hazards and disaster risk

reduction. In addition to the above outcomes, it also identifies three cross cutting themes: (i) improved public governance (ii) local innovation and use of information communications technology (ICT) and (iii) gender equality and empowerment of women and youth.

A mid-term review of the 8th NSEDP shows considerable progress in many areas.^{68,69} Lao PDR has attained sustained economic growth for nearly a decade, reduced poverty, transformed economic structure, undertook steps for macroeconomic stability, and strengthened regional cooperation. It actively engaged in and acceded to global commitments including human rights commitments and UPR process, ratified the Paris Agreement on Climate Change, and mainstreamed SDGs in the national development agenda. However, shortcomings were also noted. Growth was not diversified or inclusive, and still driven by natural resource extraction; public debt levels are high, there has not been an adequate improvement in the investment climate; private sector development, especially of MSMEs, remains limited; and there are high levels of trafficking in drugs and persons and non-compliance with court's orders, among others.

⁶⁸ MPI, *Pre-Final Draft: Mid-Term Review of the 8th NSEDP 2016-2020* (Undated) and draft 9th NSEDP, July 2020

⁶⁹ MPI, 9th NSEDP (draft- December 2020)

Formulated under the shadow of COVID-19 outbreak in 2020, which is likely to have serious impact on the development trajectory of Lao PDR, **the country has prepared the 9th NSEDP 2021-2025**. This comes on top of multiple global and local factors such as the trade war between the United States and China, a bleak foreign direct investment (FDI) outlook, including from China, due to decline in its economic growth, a global and regional economic slow-down, a precarious domestic fiscal situation, very low sovereign credit rating, and an increasing risk of extreme weather events. Building on the achievements of the 8th NSEDP, lessons learned and the impact of COVID-19, the 9th NSEDP's policy priorities have greater emphasis on economic diversification, innovations, skills and knowledge, low-carbon and environmentally sustainable development, resilience, and achievement of SDGs. Lao PDR will also focus on the public financial management reforms, including in public investment management. The NSEDP also recognises the distinct opportunity to leverage economic growth in the neighbouring countries, its young population, rich natural resources base and political stability. The 9th NSEDP has the following six development outcomes:

Outcome 1: Continuous quality, stable and sustainable economic growth

This outcome will be achieved by economic restructuring through greater and modernised industrialisation, economic diversification, greater efficiency, and productivity. Macro-economic stability will be pursued through fiscal prudence, enabling investment climate, creating conditions for domestic MSMEs to become competitive at regional and global levels, and more effective management of state-owned enterprises. Among the key priorities are public finance management (PFM) reform with greater attention to management of public debts, efficiency in public expenditure, improved revenue management and tax administration, and more diversified investment (in sectors and sources). Innovative start-ups and environment-friendly, green and sustainable enterprises such as under One District, One Product (ODOP) will be promoted.

Outcome 2: Improved qualities of human resources with enhanced research capacities, and abilities to meet development needs and utilised science and technologies to improve efficiency and add values to productions and services

For the country to reap a demographic dividend, it is imperative that the quality of human capital is improved. The outcome will be addressed through inclusive and quality healthcare services and nutrition particularly focusing on stunting among children, infant and under-five mortality, maternal mortality, improved sanitation, and universal health coverage. Health infrastructure, including health information system, will be strengthened at national and sub-national levels and shortage of healthcare professionals will be addressed. Inclusive access to quality education, including early childhood education and technical/vocational education, will be promoted for children to realise their full potential. The 9th NSEDP envisages eradication of illiteracy and for adults to enjoy lifelong learning. It aims to improve enrolment rates (especially at secondary levels and beyond), reduce drop-out rates, strengthen skills education that match market demand, and invest in digital technology to promote ICT solutions in teaching and learning. The outcome will further be achieved through labour market interventions developing quality skilled workers as drivers of modern, diversified, and industrialised growth, improving productivity and competitiveness, ensuring occupational health and safety, reducing unemployment, developing labour market information system, and promoting ICT innovations.

Outcome 3: Gradually enhanced people's material and mental well-beings as per the direction of food and income security

A number of interventions will contribute to improved livelihoods in rural and remote areas under the three-build policy, reduced rural-urban disparity in access to incomes, infrastructure and services, improved access to opportunities for women, the young, people with disabilities, and other disadvantaged groups. This outcome will promote greater gender equality and women's empowerment. This will contribute to preventing and combating violence against women and children. The development of adolescent girls will be ensured through actions such as the "Noi framework" – a multisectoral initiative which aims at

investing in adolescent girls and women in reproductive age. Expanding social protection in coverage and quality will further contribute to this outcome. UXOs in Lao PDR remains a major socio-economic issue to address through multiple interventions such as mine risk education programmes, conducting surveys to determine hazard areas, clearance of UXO, and providing assistance to victims.

Outcome 4: Environmental Protection and Natural Disaster Risk Reduction

Reflecting on the natural resource-heavy development model of Lao PDR, the 9th NSEDP attaches high importance to the sustainability of natural resources management while pursuing high-growth pathways. The outcome aims at achieving 70 percent forest cover, as it was in 1940, formulate natural resources and environmental management plans at sub-national levels, optimal use of water resources for economic activities and consumption, water and air pollution control, and preparing local level land use management plans and land titling. The country aims at net zero emissions by pursuing a green growth strategy. This is to be achieved by reducing resource-intensity of growth and promoting resource-use efficiency, recycling waste, promoting bio-degradable packaging material, and promoting eco-tourism among others. The key sectors for targeted attention under green growth strategy include energy, transport, agriculture, forests, infrastructure, and waste management. Disasters caused by climate change and extreme weather events like floods and droughts have taken a huge toll on lives and livelihoods in the past. The NSEDP will address this by mainstreaming climate change adaptation and mitigation in the national and local development plans, preparing disaster risk reduction plans, taking preventive measures such as early warning, and strengthening capacities to forecast extreme events. Realizing that prevention is more cost-effective than response, the NSEDP focuses on preventive measures and systems including use of hydrological information and regional cooperation.

Outcome 5: Robust infrastructure development, utilisation of the country's potentials and strategic location, and active engagement in the regional and international cooperation and integration

Developing and upgrading infrastructure to facilitate local and border connectivity to establish Lao PDR as a logistics transit hub and leverage its geographical potential are among the priority areas under this outcome. Increasing the internet connectivity and digitalizing public administration to support socio-economic development and service delivery are other contributors to this outcome as well as boosting e-commerce. The country will also work towards greater openness by increasing the trade to GDP ratio. This will be achieved, among others, by improved trade facilitation. Lao PDR also aims to develop modern cross-border markets with neighbouring countries and also tap the potential for local development generated by the Lao PDR-China railway line based on the regional comparative advantages within the country. The country aims to develop 12 special economic zones and attracting more investment to these zones along the Lao PDR-China railway corridor.

Outcome 6: Efficient public administration, and equal, just, and protected society following the direction of the effective and strict rule of laws

The public administration will be streamlined and modernised at all levels to become more responsive, efficient, and effective by merging or separating some ministries given the changing context. Public administration will be reorganised to better fit the mandates and job-descriptions will be defined. The role of civil servants in the process of decentralisation will be clearly articulated as also their role between rural and urban areas to ensure clear mandate implementation. Inter-ministerial coordination and vertical coordination between district, provincial and central levels will be enhanced. Enforcement of the court decisions will be monitored and supervised. Judicial training will be strengthened. Public services will be increasingly delivered through one-stop-shop model.

5. Progress towards 2030 Agenda and SDGs in the Country

National Commitment to SDGs

Lao PDR is committed to the 2030 Agenda and the achievement of SDGs. It was one of the earliest countries to localise SDGs and integrate them into the national development planning framework. In recognition of the development challenge posed by UXO, the country has also adopted a specific SDG 18: Lives safe from UXO.⁷⁰ The country endorsed a set of 238 National SDG indicators in June 2019. An internal exercise revealed that out of 238 indicators 102 indicators are the same as global indicators, 60 are adapted and 76 indicators are additional indicators. Ninety-two out of 160 (or 60 percent) indicators in the 8th NSEDP are linked to SDGs, but only 71 out of 238 (30 percent) SDG indicators are in the NSEDP.⁷¹ Mainstreaming of SDG indicators into sector policies also remains an unfinished business. Assessment of SDGs from a leave no-one behind perspective entails people-centric indicators and considering that 98 indicators are based on population data, a strong civil registration and vital statistics system will be required to monitor and improve the status of vulnerable groups.

Lao PDR's commitment to the 2030 Agenda and achievement of SDGs is further reflected in the institutional mechanisms the country has created to monitor, mainstream and coordinate SDGs. In September 2017, the President of Lao PDR appointed the Prime Minister to chair the National Steering Committee for SDG Implementation. Committee members are drawn from various ministries, Government agencies and mass organisations. It is assisted by the SDG Secretariat chaired by the Ministry of Foreign Affairs (MoFA) and the Ministry of Planning and Investment (MPI) and SDG focal points from each relevant line ministry for smooth coordination and collaboration within the Government. In addition, the national SDG indicators have been assigned to relevant ministries and ministries equivalent in Lao PDR to ensure monitoring and reporting. Lao PDR collaborates with the UN and other international organisations, including through cross-sectoral forums, for support to accelerate progress in the achievement of SDGs. The country has thus successfully created a broad-based coalition of

⁷⁰ UN in Lao PDR, *From Millennium Development Goals to Sustainable Development Goals: Laying the base for 2030* (November 2017)

⁷¹ National SDG Secretariat, *Presentation of- SDG Indicators Snapshot* (June 2019)

partners towards the 2030 Agenda. The UN in Lao PDR is further closely associated with the formulation, monitoring, evaluation, and processing of the NSEDP including supporting the Round Table process and co-chairing the Round Table Meeting, the annual development cooperation policy dialogue and of the preparations for the 9th NSEDP including co-leading the Multi-Stakeholder Taskforce to Study the Impact of COVID-19 with the MPI in preparation of the 9th NSEDP and SDG Localisation in Lao PDR.

Graduating from LDC status is a high priority for Lao PDR. Lao PDR met the GNI per capita and human assets index thresholds at the triennial review in 2018, therefore meeting the overall threshold for graduation for the first time.⁷² In early 2021, it met all the three criteria and was recommended for graduation with an extended preparatory period of 5 years, subject to General Assembly Endorsement. On May 26, the ECOSOC past an endorsement of the CPD recommendation laying the ground for a positive ruling by the UNGA in September this year.

COVID-19 will have an unprecedented impact on SDG progress. It comes on top of the already

challenging fiscal situation the country finds itself in. Although the Lao PDR has managed the pandemic well to date, the indirect impact of the slowing global and regional economies will be felt for many years. The IMF has estimated that 2020 saw the first economic contraction since 1988.⁷³ In terms of human development loss, simulations show that globally there has already been a decline in human development since the COVID-19 pandemic which is equivalent to the progress in human development of the past 6 years.⁷⁴ This could also, as expressed by the Secretary-General of the UN, reverse the limited but important progress that has been made globally on gender equality and women’s rights.⁷⁵ With the resources being diverted for addressing the immediate impact of the pandemic, the resource envelope for the SDGs and for funding the 9th NSEDP, under formulation, is likely to be jeopardised. Impact assessments by the UN organisations and independent bodies are emerging which are reflected in the CCA at appropriate places. A consolidated view on the impact was taken by the Multi-Stakeholder Taskforce mentioned above and has been reflected in the CCA.

Progress towards SDGs

Lao PDR presented its first Voluntary National Review (VNR) report in July 2018 to the High-Level Political Forum on Sustainable Development.⁷⁶ A second VNR report was submitted to the High-Level Political Forum in 2021. To support this, the Lao Statistics Bureau set up an SDG data and metadata platform (using OpenSDG) to make data more accessible.

PEOPLE



SDG 1: END POVERTY IN ALL ITS FORMS EVERYWHERE

Absolute poverty has declined.

Based on the national poverty lines, it declined from 33.5 percent in 2002-2003 to 23.2 percent in 2012-2013 and further to 18.6 percent in 2018-2019.⁷⁷ Because of COVID-19, the poverty is projected to go up to 21.5 percent in 2020. Contingent on the strength and inclusiveness of the economic recovery, it will begin to decline in subsequent years but is not expected to

meet the trend line for several years. Moreover, poverty reduction has not been commensurate with GDP growth. Between 2007-2008 and 2012-2013, one percent growth in GDP led to only 0.4 percent reduction in poverty compared to 1.2 percent in Cambodia. This went up to 0.67 between 2012-2013 and 2018-2019 but was still low compared with regional peers.ⁱ

⁷² Lao PDR did not meet the economic vulnerability criterion, however, successfully meeting 2 of the 3 criteria at two successive triennial reviews is sufficient to meet the minimum numerical thresholds for graduation

⁷³ IMF, *World Economic Outlook* (April 2021)

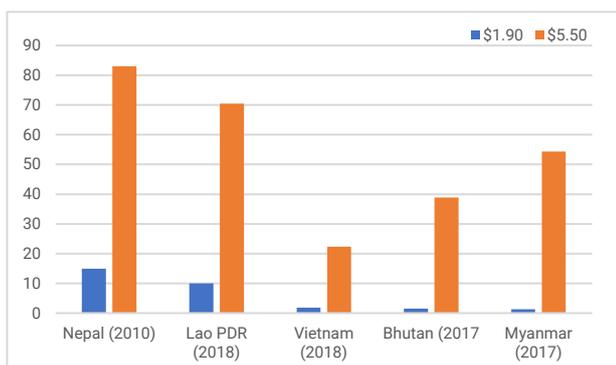
⁷⁴ UNDP, *COVID-19 and Human Development: Assessing the Crisis, Envisioning the Recovery* (2020)

⁷⁵ UN Secretary General Antonio Guterres, *Address to Virtual Town Hall* (August 2020)

⁷⁶ Government of Lao PDR, *Voluntary National Review on the Implementation of the 2030 Agenda for Sustainable Development* (June 2018)

⁷⁷ LSB; World Bank, *Poverty Profile in Lao PDR: Poverty Report for the Lao Expenditure and Consumption Survey 2018-2019* (2020)

Graph 8: Poverty Headcount Ratio



Source: World Bank, PovCalNet

The decline in poverty was accompanied by an increase in income inequalities. As measured by the Gini Index, inequality went up from 36.0 (in 2012-2013) to 38.8 in 2018-2019. In this period, the growth in the incomes of the bottom 40 percent decile was 2.1 percent, which was lower than the average growth rate of 3.28 percent, pointing to the fact that the growth model was not allowing the poorest to close the income gap. Consumption has failed to keep pace with economic growth due to growing inequality. The average consumption among the richest 10 percent was ten times that of the poorest 10 percent.⁷⁸ The Human Development Index value in 2018 was 0.604 compared with inequality adjusted HDI value of 0.454 indicating a loss of nearly 25 percent in HDI value. With the robust growth achieved, poverty would have declined much faster, by an additional 4.1 percentage points, if inequality had not risen.⁷⁹

The Commitment to Reducing Inequality Index 2020 - which is a composite index of public services, progressive tax and workers' rights - ranks Lao PDR among the lowest at 144 out of 158 countries. In the public services pillar, it ranks the country at 152/158.⁸⁰ Lao PDR has done well in terms of reducing proportion of population in multidimensional poverty from 40.4 percent (in 2011-2012) to 23.1 percent in 2017 with the value of Multidimensional Poverty Indexⁱⁱ declining from 0.211 to 0.108 over the same period. However, 9.6 percent of population was still in severe multidimensional poverty and 21.2 percent vulnerable to it.⁸¹ Child multidimensional poverty remains high

⁷⁸ World Bank, *Lao People's Democratic Republic Poverty Assessment 2020: Catching up and Falling Behind* (2020)

⁷⁹ *Ibid.*

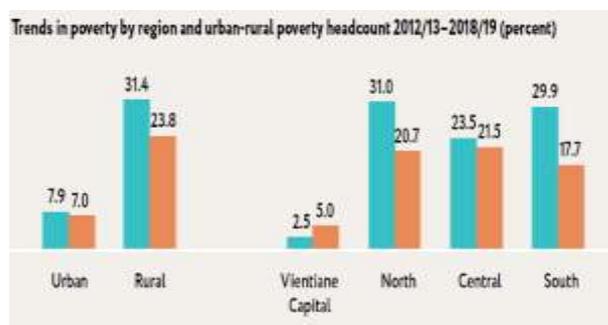
⁸⁰ Oxfam; Development Finance International, *Fighting Inequality in the Time of COVID-19: The Commitment to Reducing Inequality Index* (2020)

⁸¹ Oxford Poverty and Human Development Initiative; UNDP, *Global MPI 2020: Charting Pathways out of Multidimensional Poverty: Achieving the SDGs* (2020)

with only 12 percent of children under 18 experiencing no deprivation at all, 70 percent suffering from at least two deprivations and around 50 percent suffering from three or more deprivations in the seven dimensions of child poverty with significant geographical disparities.⁸²

Poverty reveals sharp rural-urban, regional, and ethnic differences. Poverty in rural areas is 23.8 percent and more than three times higher than in urban areas (7 percent) (2018-2019). More poor lived in rural areas in 2018-2019 (nearly 90 percent) than they did in 2007-2008 (80 percent).⁸³

Graph 9: Poverty Trends by region and urban-rural headcount 2012/13 – 2018/2019



Source: World Bank Lao PDR Systematic Country Diagnostic: *Priorities for Ending Poverty and Boosting Shared Prosperity* (March 2017)

Poverty reduction has been much slower, and other development indicators much worse, among the non Lao-Tai ethnic groups. Over two thirds of the poor in the country are non Lao-Tai though their share in the population is only one third. The gap between Lao-Tai and other ethnic groups has widened in 2018-2019. A World Bank study shows that Hmong-Mien that were *three times poorer* than Lao-Tai in 2012-2013, became *four times poorer* in 2018-2019.⁸⁴ A large population of the country, especially in rural areas, are at risk of falling back into poverty due to economic or environmental shocks, catastrophic health expenses and lack of social protection. Half of the poor in 2012-2013 were not poor half a decade ago (in 2007-2008).⁸⁵

In recent years, northern and southern provinces have shown significant decline in poverty. The central regions have stagnated and show highest incidence of

⁸² UNICEF, *SDGs and Children- Measuring Progress on Child Wellbeing in Lao PDR: Unleashing the Unlimited Potential of Lao Generation 2030* (2018)

⁸³ World Bank, *Lao PDR Systematic Country Diagnostic: Priorities for Ending Poverty and Boosting Shared Prosperity* (March 2017)

⁸⁴ World Bank, *Lao People's Democratic Republic Poverty Assessment 2020: Catching up and Falling Behind* (2020)

⁸⁵ World Bank, *Lao PDR Systematic Country Diagnostic: Priorities for Ending Poverty and Boosting Shared Prosperity* (March 2017)

poverty (21.5 percent) compared with northern (20.7 percent) and southern (17.7 percent) regions.⁸⁶ Poverty reduction in south has been largely driven by an increase in rural incomes (due to a shift to high-productivity commercial crops) and in the north by non-farm job creation, possibly a spill over effect from foreign investment.⁸⁷ One-third of the population in upland areas is still below the poverty line; in lowland areas, only about one fifth of the population is poor. The ethnic groups who traditionally live in mountainous and remote areas with difficult access have seen slower progress in poverty reduction while the lowland groups, with the highest levels of education, have the lowest poverty rate. Moreover, the delivery of basic services remains uneven due to lack of resources and constrained implementation capacity.

Lao PDR has made some progress in building a national social security system, but it has mainly been restricted to social insurance. With a large informal economy focusing primarily on agriculture, Lao PDR faces social and economic insecurities affecting the safety net for the population. It spends only 0.7 percent of GDP on social protection, much less than regional peers. It is among the lowest four in Asia-Pacific region in the Asian Development Bank's (ADB) Social Protection Indicator. Little progress has been made in establishing tax-financed schemes and Lao PDR is one of the lowest investors globally in such schemes. With most of the population living on low

and insecure incomes, there would be clear benefits from the establishment of a comprehensive national social security system. The dangers of not having such a system have been demonstrated during the COVID-19 crisis, with the Government inhibited in responding effectively to the crisis, despite the economy experiencing a major setback and many families suffering significant income losses. Over the past ten years, several development partners have attempted to engage with the Government to build the case for investing in social security, but progress has been limited.

The recently approved National Social Protection Strategy (NSPS) aims at gradually achieving universal coverage in social protection. The Strategy will also be working towards building a much-needed social protection floor that protects all Lao people from socioeconomic shocks, environmental disasters, and vulnerabilities.⁸⁸ The NSPS has three building blocks: health insurance; social security; and social welfare. The NSPS is envisaged to be funded by low-interest borrowings and official development assistance (ODA). However, considering the current heavy debt levels and declining ODA, it remains to be seen if the fiscal constraints will allow the Government to fully implement the new social protection strategy and to fulfil its ambition to building a modern, effective and comprehensive national multi-tiered social security system.



SDG 2: END HUNGER, ACHIEVE FOOD SECURITY AND IMPROVED NUTRITION, AND PROMOTE SUSTAINABLE AGRICULTURE

Food and nutrition security have improved but remain a serious concern in Lao PDR.

Though the country has been successful in reducing the share of hungry people from 33 percent to 23 percent since 2010, and has significantly increased the food production, in 2019, Lao PDR was ranked 87th out of 117 countries in the Global Hunger Index, a composite rating based on undernourishment, underweight and child mortality data.⁸⁹ At this level, and with a hunger score of 25.7, Lao PDR suffers from a level of hunger that is

categorised as “serious”. Using the Food Insecurity Experience Scale, 31.8 percent of households experienced mild, moderate, or severe food insecurity (translating to 2.2 million people).⁹⁰ Undernutrition among general population was reported as 16.5 percent in 2016-2018.⁹¹

Malnutrition is a serious public health issue and is a cause of low birth weight, anaemia, stunting, wasting, and overweight/obesity. Malnutrition affects cognitive capability and life potential with significant negative impact on the economic growth of the country. This

⁸⁶ World Bank, *Lao People's Democratic Republic Poverty Assessment 2020: Catching up and Falling Behind* (2020)

⁸⁷ *Ibid.*

⁸⁸ Ministry of Labour and Social Welfare (MoLSW), *National Social Protection Strategy: Vision 2030, Goal 2025* (2020)

⁸⁹ Global Hunger Index (2020)

⁹⁰ WFP; FAO, *Rapid Assessment of Food Security and Agriculture in Lao PDR* (May 2020)

⁹¹ FAO; IFAD; UNICEF; WFP; WHO, *The State of Food Security and Nutrition in the World: Safeguarding Against Economic Slowdowns and Downturns* (2019)

can be addressed by dietary safety and diversity, better mother and child healthcare and parenting support, and improved hygiene and sanitation besides adequate availability, access to and use of food. Though stunting among under-5 children has declined from 44.2 percent in 2010 to 33 percent in 2019, wasting has gone up from 6.4 percent in 2010 to 9 percent in 2019. Nearly 20 percent of the population experienced moderate to severe food insecurity in 2018-2019, higher in rural than urban areas, poor more than non-poor, and Hmong-Mien more than Lao-Tai, Mon-Khmer, and Sino-Tibetan ethnic groups.⁹²

The economic cost of undernutrition is estimated to be 2.4 percent of GDP (2013 estimate).⁹³ The country is taking steps under the National Nutrition Strategy to 2025 and Action Plan 2016-2020 to address this challenge, including focus on first 1000+ days of a child's life (immediate causes) and household and community level issues such as safety and diversity of food consumption and improving mother and child health (underlying causes).⁹⁴ Food and nutrition security is a cross-sectoral issue cutting across the agriculture, health and education sectors. Food insecurity is also related to disasters. An assessment of the 2018 floods revealed that 14.2 percent households suffered from disaster-related food insecurity and 70 percent of indebted rural households had to borrow more to secure their production.⁹⁵ Food security and agricultural production is a key vulnerability to climate-linked disasters and a major casualty when a disaster happens.

Inadequate infant and young child feeding practices also contribute to malnutrition in young children.

More than half of children under six months of age are not exclusively breastfed, and more than two thirds of children under two years are not meeting the minimum dietary standards in terms of meal frequency, quality, and diversity.⁹⁶ Children from rural areas, poorer households, non Lao-Tai ethnic groups and whose mothers are not educated were more likely to be stunted. In 2017, over 21 percent children under 5 years were underweight and 3.5 percent overweight.

Overweight and obesity among children is an emerging health issue.

The COVID-19 pandemic is likely to worsen the already serious nutrition and food security situation.

This will pose an especially grave risk for the survival of young children, with long term impact on human capital. It is estimated that there could be a 14.3 percent increase in the global prevalence of moderate or severe wasting among children younger than 5 years due to COVID-19-related predicted increases in mortality rates and country-specific losses in GNI per capita.⁹⁷ With children staying away from schools during the lockdown period due to COVID-19, nutritious food available through school feeding programmes / mid-day meals would not be available, thus seriously jeopardising the nutrition among children attending one of the approximately 2,095 pre-primary and primary schools that receive school meals support. The sharp decline in remittances due to returning migrants would also have a negative impact on food security, especially of the poorer households with high dependence on remittances for household consumption.ⁱⁱⁱ Disruptions to agricultural and health systems resulting from the COVID-19 pandemic are expected to continue to exacerbate all forms of malnutrition, thereby potentially undermining progress made on reducing levels of stunting in the past decade and affecting human capital development for decades to come.⁹⁸

Agriculture provides employment to 62 percent of the workforce and contributes about 16 percent of GDP.

Agriculture has grown at 3.7 percent over 2007-2017 but largely on account of expansion of acreage rather than increases in productivity.⁹⁹ This is not surprising considering small and fragmented holdings, insecurity of tenure, low and declining public investment^{iv} in agriculture, notably in irrigation, extension services, agriculture machinery and inputs and technological improvement, and inadequate access to inclusive financial services (savings, insurance, credit). Agriculture in Lao PDR largely relies on surface water resources which are available in abundance. However,

⁹² World Bank, *Lao People's Democratic Republic Poverty Assessment 2020: Catching up and Falling Behind* (2020)

⁹³ National Economic Research Institute (MPI); UNICEF, *The Economic Consequences of Malnutrition in Lao PDR: A Damage Assessment Report* (2013)

⁹⁴ Government of Lao PDR, *National Nutrition Strategy to 2025 and Plan of Action 2016-2020* (2015)

⁹⁵ ADPC; UNDRR, *Disaster Risk Reduction in Lao PDR: Status Report* (July 2019)

⁹⁶ LSB; MoH; MoES; UNFPA; UNICEF, *LSIS II- Survey Findings Report* (2017)

⁹⁷ Headey, Derek; Heidkamp, Rebecca; Osendarp, Saskia; Ruel, Marie; Scott, Nick; Black, Robert; Shekar, Meera; Bouis, Howarth; Flory, Augustin; Haddad, Lawrence; Walker, Neff, *Impacts of COVID-19 on childhood nutrition and nutrition-related mortality*, *The Lancet* (396:10250), (July 2020)

⁹⁸ UNICEF, *Situation Tracking for COVID-19 Socio-Economic Impacts* (June 2020); Headey, Derek; Ruel, Marie, *Economic Shocks and Child Wasting*, IFPRI Discussion Paper 1941 (2020)

⁹⁹ World Bank, *Lao PDR Systematic Country Diagnostic: Priorities for Ending Poverty and Boosting Shared Prosperity* (March 2017)

the farmers can still face water shortages during the dry season and in some geographical areas, such as those away from the surface water source. Agriculture is also affected by poor connectivity, underdeveloped markets, limited agro-processing industry and non-compliant food safety standards including unhealthy usage of pesticides.¹⁰⁰ The high employment elasticity to agricultural production confirms low labour productivity.^v

Over the years, farmers in Lao PDR have changed their cropping patterns. Lao agriculture is still predominantly subsistence and rice-based, limiting the diversity of diets. Most farmers source additional nutritious food from nearby forest areas, small home gardens and small-scale poultry or fish raising. In the uplands many, mostly poor, farmers still practice the traditional “slash and burn” agriculture (shifting agriculture) which consumes forests and degrades land and is environmentally unsustainable.

However, in recent years, more farmers are shifting to cash crops (maize, cassava, banana, vegetables) in response to changing demand and prices. This has resulted in a gradual shift towards high value crops and increase in farm productivity among the cash-crop farmers resulting in reduction in poverty.¹⁰¹ Positive as this trend seems, further analysis is needed to verify if this is a national sustained trend or a short-term response by “contract farmers” driven by cross-border demand and prices. It is important that these farmers have the autonomy to negotiate their contract and make important decisions on what to grow and where to sell and that the legal framework for the contract farming is transparent, predictable, and clear, including arrangements for enforcement of cross-border contracts. Commercial crops for export are vulnerable to sharp price fluctuations putting farmers at risk.^{vi} These crops are also large consumers of mostly unregulated chemical fertilisers and pesticides which, if used in an unsafe manner, has long-term negative effects on the soil and water quality. The country may have to address these issues and

examine the food and nutrition security implications of a further shift towards commercial farming with a view to promote nutrition-sensitive agriculture. This is particularly relevant for the upland communities that rely on forest products for nutritional diversity and have no easy access to alternative products. Furthermore, over time cash mono crops may be subjected to similar issues as upland rice in terms of poor soil quality, soil degradation, and water unavailability.

Growing use of chemicals,^{vii} notably in commercial farming, is a major challenge. Growing commercialisation of agriculture has led to dramatic increase in the use of pesticides, both from legal as well as illegal channels. It is well-known that large amounts of banned and highly hazardous pesticides enter the country illegally through its long and difficult-to-monitor borders, mainly from China and Thailand and to some extent Viet Nam.¹⁰² These are incorrectly labelled, often in languages Lao people do not understand, illegally sold by unauthorised vendors, and due to limited knowledge of the farmers, inappropriately applied in large quantities without using protective gear, and unsafely stored and disposed of.¹⁰³ These pesticides have found their way into the fresh fruits and vegetables, food crops, water and soil. Actual use of pesticides is on an average 2-4 times higher than the recommended doses, mainly as a result of little awareness among farmers on the safe use of pesticides. Consumers appear to be more exposed to harmful health effects of pesticides than farmers.¹⁰⁴ In Bokeo province, environmental pollution caused by use of insecticides, fungicides, and herbicides in banana plantations, and failure of authorities to monitor the same, has been well-documented.¹⁰⁵ The civil society submissions for the UPR on the land rights of local communities also point to the refusal by victims of the 2018 Xe-Pian Xe-Namnoy dam collapse to work at the banana plantation in Attapeu Province because of the risk of

¹⁰⁰ See for example: ADB, *Agriculture, Natural Resources, and Rural Development Sector Assessment, Strategy, and Road Map- Lao People's Democratic Republic* (December 2018); UNCTAD, *Analyzing the Maize Value Chain for Export in Lao People's Democratic Republic* (2020)

¹⁰¹ World Bank, *Lao People's Democratic Republic Poverty Assessment 2020: Catching up and Falling Behind* (2020)

¹⁰² Cambodian Center for Study and Development in Agriculture; Sustainable Agriculture and Environment Development Association; Pesticide Action Network Asia and the Pacific, *Illegal Pesticide Trade in the Mekong Countries: Case Studies from Cambodia and Lao PDR* (2013)

¹⁰³ Ibid.

¹⁰⁴ Lao Uplands Rural Advisory Services, *Pesticide Use in Lao PDR: Health and Environmental Impacts* (January 2018)

¹⁰⁵ Reuters, *Cash and chemicals: for Laos, Chinese banana boom a blessing and a curse* (May 2017); Hirsch, Philip; Scurrell, Natalia, *Mekong River Land Governance: The Political Economy of Land Governance in Lao PDR* (November 2015); Punya, Supitcha, *Restructuring Democratic Institutions: Democratization and Development in Laos (PhD Thesis)*, (January 2019)

pollution.¹⁰⁶ This is a challenge also elsewhere in the country, with media reports on the expansion of banana plantations despite environmental

concerns.¹⁰⁷ A ban was imposed on further expansion of large-scale banana plantations. The effectiveness of this ban is not known.



SDG 3: ENSURE HEALTHY LIVES AND PROMOTE WELL – BEING FOR ALL AT ALL AGES

The country has made significant progress in improving health indicators.

Life expectancy at birth has increased from 59 years in

2000 to 68 years in 2018. Over the same period, life expectancy for females increased from 61 years to 69 years. Maternal mortality has declined from 796 per 100,000 live births in 1995 to 185 in 2017.¹⁰⁸ Yet this is still the highest in the region and is in part attributable to limited coverage of quality services including family planning services, access to skilled birth attendants and emergency obstetric care. Lack of access to abortion services as a preventive measure in cases where completion of pregnancy poses a threat to women’s health or life also contributes to high maternal mortality rates. Lack of adequate well-equipped medical facilities to handle complex cases, along with up to one third of births still taking place outside health facilities are other aggravating factors. About 65 percent deliveries were made by trained health attendants. This ratio is much lower among ethnic groups (42.8 for Sino-Tibetan) and in rural areas (55.8 percent). Among the poorest quintile, this ratio was 33.9 percent.¹⁰⁹ Lao PDR has the highest proportion of early marriage and the highest adolescent birth rate in the region. Adolescent birth rate reaches 83 per 1,000 births and varies across groups (192 per 1,000 Hmong-Mien). Over 18 percent women aged between 20-24 years have given birth before 18 years.¹¹⁰ Under-5 mortality declined from 146 per 1,000 live births in 2001 to 46 in 2018 and infant mortality from 116 to 40 but remains the highest in Southeast Asia.¹¹¹ The majority of under-five deaths are preventable or are avoidable with simple, low-cost treatment once seen and diagnosed. The largest share of deaths among under-

fives is due to neonatal causes (34 percent) followed by pneumonia (19 percent) and diarrhoeal diseases (16 percent).¹¹² Prevalence of tuberculosis (TB) has been halved since 1990. With its limited health facilities, the country was able to contain a large spread of COVID-19 with three deaths as of early June 2021.

Health systems in the country were put to the test during the pandemic. The Government had to safely manage cases and try to prevent large scale community transmission. Despite limitations in health system capacity, fatalities have to date been low.¹¹³ Pivotal to this were the investments made in recent years both in the capacity to detect and manage emerging public health threats, and in strengthening key broader health system capacities like health information systems. Healthcare is also vulnerable to disasters. Both floods and droughts have a deleterious impact on human health pushing people further into poverty. Open defecation, which is already high in the country, creates a significant health risk during floods or at evacuation sites where contaminated water may carry various diarrhoeal diseases. Spread of diseases is also a risk to livestock and hence livelihoods.

Yet significant challenges remain in healthcare coverage, access, and quality. Remaining fundamental challenges continue to have an impact on the ability of the country to achieve universal health coverage (UHC), and to reach agreed SDG health targets. Challenges include health workforce limitations in number, skills and training, and issues with distribution and retention; limited number, skills, and training of health workers; limited health system financing including concerns about financing sustainability; limited health equipment and facilities;

¹⁰⁶ Manushya, *Third UPR Cycle: Overview of Human Rights Situation in Lao PDR: Legal Framework, Challenges, Case Studies and Community-led UPR Recommendations*, (2019)

¹⁰⁷ Reported in ASEAN Today, Chinese-owned banana plantations expand in Laos despite lingering environmental and health concerns (January 2021)

¹⁰⁸ UNFPA, *State of World Population 2020* (2020)

¹⁰⁹ LSB; MoH; MoES; UNFPA; UNICEF, *LSIS II- Survey Findings Report* (2017)

¹¹⁰ Ibid.

¹¹¹ Ibid.

¹¹² UNICEF, *The Situation of Children and Women- Lao PDR Situation Analysis* (December 2019)

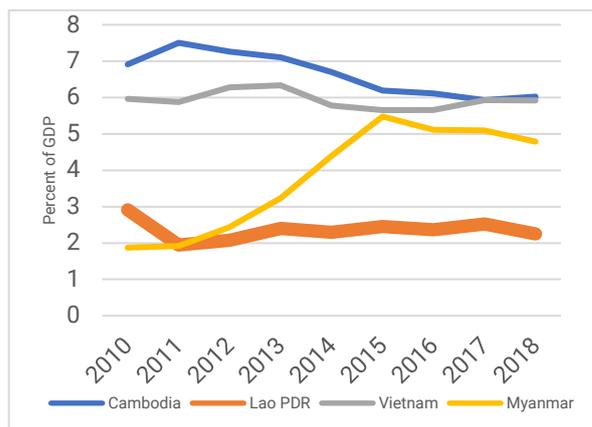
¹¹³ Three (3) as of June 2021

and limited water, sanitation, and hygiene (WASH) and infection prevention and control capacity.

These healthcare challenges continue to have measurable impacts. In terms of universal health coverage index, the country was last among the ASEAN nations.¹¹⁴ Only 48.1 percent of children (12-23 months) received full recommended vaccinations.¹¹⁵ Health outcomes are uneven across regions and ethnicities. Undernutrition remains a major health issue. The malnutrition rate was 18.5 percent in 2015.¹¹⁶ One-third of children under 5 years are stunted partly due to gaps in early, exclusive, and continued breastfeeding practices. Obesity and overweight are also emerging health issues. As of 2017, 3.5 percent children under 5 years were found to be overweight.¹¹⁷ Mental health and psychosocial support, which came into sharp focus during the outbreak of COVID-19, receive very little attention.

Non-communicable diseases (NCDs) are now emerging as a major health challenge. Although communicable diseases continue to pose a major risk in Lao PDR, with significant disease burdens from a range of diseases such as TB, hepatitis, diarrhoea, respiratory diseases and major epidemics of measles and dengue in recent years, NCDs are a major health challenge, already accounting for 60 percent of all deaths. The probability of premature (30-70 years) death from NCDs was registered at 27 percent in 2016.¹¹⁸ Life-style changes, poor dietary habits, smoking, alcohol consumption, insufficient intake of micronutrients, and limited dietary diversity have all contributed to the rise of NCDs in the country. Prevalence of tobacco use among persons 15-49 years was found to be 43.5 percent among males and 7.2 percent among females (2016-17).¹¹⁹ The situation with NCDs is likely to get worse unless investment is made in prevention and control. Actions to prevent NCDs in the country could be relatively cheap and cost-effective.

Graph 10: Health Expenditure, by GDP 2010-2018



Source: World Bank, World Development Indicators, 2021

The health system is underfunded, with 2.8 percent of GDP (2018) spent for health. This was lower than 3.3 percent in 2000. The fiscal crunch caused by COVID-19 may further affect the health spending. Almost 20 percent of the total health expenditure is donor funded, mainly on HIV/AIDS, TB and malaria through Global Fund for Aids, TB, and Malaria and on vaccination through GAVI. A key programme like Family Planning, contributor to maternal mortality reduction, is almost totally funded by development partners, specifically on the procurement of family planning commodities. With high unmet need (75 percent) for the family planning services among the unmarried group, further inputs in this area are required.

A major area of concern is high private health spending including out-of-pocket expense at over 41 percent (in 2018) of total health expenditure, which may push people into poverty. The richest quintile spent 50 times more on healthcare in 2018-2019 than the poorest quintile. Several factors could have contributed to this widening health spending inequality such as (a) lower expenditure by the poor due to expansion of National Health Insurance, (b) higher utilisation of healthcare by the rich and (c) higher expenditure by the rich on more expensive healthcare such as private healthcare providers or from overseas.¹²⁰

The National Health Insurance system rolled out in 2016 has seen an increase in its utilisation, but the

¹¹⁴ WHO, *Sam Thid Strategy for Health Financing in Lao PDR 2021-2025 (Draft)*

¹¹⁵ LSB; MoH; MoES; UNFPA; UNICEF, *LSIS II- Survey Findings Report (2017)*

¹¹⁶ MPI, *9th NSEDP (draft- December 2020)*

¹¹⁷ LSB; MoH; MoES; UNFPA; UNICEF, *LSIS II- Survey Findings Report (2017)*

¹¹⁸ WHO, *Noncommunicable Diseases Progress Monitor 2020 (February 2020)*

¹¹⁹ LSB; MoH; MoES; UNFPA; UNICEF, *LSIS II- Survey Findings Report (2017)*

¹²⁰ World Bank, *Lao People's Democratic Republic Poverty Assessment 2020: Catching up and Falling Behind (2020)*

quality of services is perceived to be sub-standard.¹²¹ The country faces severe shortage of health professionals, doctors and nurses.^{viii,ix} With COVID-19, many of these professionals assisted with the pandemic response resulting in further shortage for the essential health services at least for a time. Allocation of public health resources is uneven across regions and population groups and there is no incentive for the public providers to deliver quality services.¹²²

Investment in healthcare has high multiplier effects.

Healthcare is not just a service but an economic sector. It is key for economic growth and employment, contributing to all economic sectors. Nearly half of the SDG targets are linked to health or determinants of health outcomes such as poverty reduction, education, gender equality, employment, or environment. Globally, it has been estimated that \$1 invested in better health could lead to an economic return of \$2-\$4.¹²³ This comes from a reduction in premature mortality, reduced morbidity, expanded participation in the labour force and increases in labour productivity.¹²⁴ Likewise, spending \$1 on

contraceptives can reduce the cost of pregnancy-related care by \$7 and save millions of dollars in direct healthcare costs.¹²⁵

Lao PDR renewed its commitments to the International Conference on Population and Development 25 agenda during 2019's global summit in Nairobi.

The country has made considerable progress since the adoption of the Plan of Action in 1994. In the 2019 summit, the country particularly committed to achieving three transformative results by 2030, namely reducing the maternal mortality ratio to zero, zero unmet needs for modern contraceptives and zero harmful practices of gender-based violence. The country also committed to using population data in the 9th NSEDP, integrating sex education in the school curriculum, finalising, and implementing the national population policy, the national youth and adolescent policy, and increasing investment in adolescents and youth through the "Noi framework" to reap the potential demographic dividend. The Noi framework intends to empower adolescent girls with essential life skills, including sexual and reproductive health; and raise awareness through community dialogue and advocacy.



SDG 4: ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFE-LONG LEARNING OPPORTUNITIES FOR ALL

Lao PDR has considerably improved access to primary education (over 91 percent enrolment), with negligible

gender differences. Lao PDR has also introduced Comprehensive Sexuality Education in primary schools nationwide. However, the enrolment declines rapidly for more advanced education and there are limited learning achievement outcomes. The gross enrolment ratio in tertiary education was only 15 percent compared with the global average of 38 percent.¹²⁶ Overall, approximately 2,095 pre-primary and primary schools in Lao PDR receive school meals support, representing almost 25 percent of the 8,518 public primary schools nationwide. School meals programme promotes inclusive education, enhances school enrolment, attendance and reduces dropout

rate. It enhances educational outcomes as children are well-fed when attending school. Additionally, there is an economic benefit of school meals.^x During the key windows of learning – early childhood and early adolescence – education opportunities are lacking. The share of children (36-59 months) attending early childhood education was 32.1 percent.¹²⁷ The share is much lower in rural areas, in non Lao-Tai ethnic groups, lower wealth quintiles, and less educated mothers. The percentage of children out of school was 10 percent at primary level and 38 percent at upper secondary level. As of 2017, 41.8 percent girls aged 15-17 years were out of school.¹²⁸ Early and forced marriages and pregnancies are among the primary causes for high dropout rates among girls, which challenge girls' access to comprehensive sex education, information on sexual and reproductive

¹²¹ WHO, *Sam Thid Strategy for Health Financing in Lao PDR 2021-2025 (Draft)*

¹²² WHO, *Sam Thid Strategy for Health Financing in Lao PDR 2021-2025 (Draft)*

¹²³ McKinsey Global Institute, *Prioritizing Health: A prescription for prosperity (July 2020)*

¹²⁴ Ibid.

¹²⁵ UNFPA, *Policy Brief- Saving Lives, Saving Money: Financing Family Planning Commodities in Lao PDR (April 2017)*

¹²⁶ UNESCO, *Global Education Monitoring Report (2020)*

¹²⁷ MPI, *Pre-Final Draft: Mid-Term Review of the 8th NSEDP 2016-2020 (Undated)*

¹²⁸ LSB; MoH; MoES; UNFPA; UNICEF, *LSIS II- Survey Findings Report (2017)*

health, basic education, and possibility to enter the labour market.

While primary enrolment has increased, the country is experiencing a learning crisis – children are not learning enough. Enrolment also considerably declines at the upper secondary level to 54.8 percent and tertiary level to a low of 15 percent. Early childhood education is limited and is urban-biased. There were 8.5 percent children and 25 percent adolescents out of school in their corresponding school age levels. The percentage of adults with ability to read and write was 84.7 (male 90 percent and female 79.4 percent). Educational attainments are not encouraging for children living in poorest quintile households, certain ethnic groups, in rural areas and if the mother herself was not educated.

While children in Lao PDR can expect to complete 10.8 years of schooling by age 18, the quality-adjusted learning is equivalent to only 6.4 years, implying a learning gap of 4.4 years.¹²⁹ This highlights the need for investment in early childhood education for children to have a solid foundation for formal learning and acquisition of skills needed for the 21st century. There is no precise data about the children and adults with disabilities in all levels of education. Additional investments in secondary and tertiary education are also imperative to strengthen knowledge and competencies that lead to personal well-being, improved competencies, skills, work, and employment opportunities, and to reduce poverty. Assessments also reveal that the learning outcomes were low in Lao language and mathematics in relation to the relevant grades. Children from non-Lao speaking ethnic groups were particularly at a disadvantage in the educational system, which is largely Lao language based.

COVID-19 adversely affected educational outcomes.

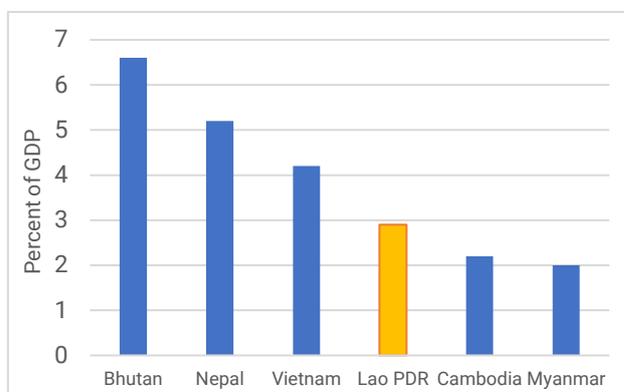
This was due to closure of schools during the lockdown period, lack of hand wash facilities in schools, lack of electricity in schools and limited digitalisation inhibiting opportunities for online learning. Remote areas with limited infrastructure and ethnic groups faced a disproportionate impact. The overall learning loss could have a long-term deleterious impact on the children’s growth and well-being. Disasters also cause major disruptions in

children’s education. The 2018 floods caused many children to drop out of school.¹³⁰

Numbers of out-of-school children have been increasing since 2014. While planning for changes in demographics and enrolment, attention is given to out-of-school children (aged 5–14 years) within the 9th NSEDP, whose numbers have been increasing. The number of out-of-school children was 25,400 in 2014, and 65,400 in 2018, and the number of out-of-school adolescents was 111,200 in 2014 and 145,500 in 2018. The reasons for dropouts need to be better understood and reintegration of those dropping out from school back into school or into vocational training requires dedicated efforts.

As a share of GDP, expenditure on education is low. It increased from 1.65 percent in 2009 to about 3.23 percent in 2013 but declined to 2.9 percent in 2018.¹³¹ The Education Law 2015 stipulates that the education sector should receive 18 percent of the Government Budget per annum. The allocation during 2015-2020 has never been more than 13-14 percent of the budget,^{xi} mostly for wages and operational costs.¹³²

Graph 11: Education Expenditure, regional comparison



Source: UNESCO Global Education Monitor, 2020

The financing gap between planned and actual expenditure on education is widening and is detrimental to the country’s vision to transition to high middle-income country.¹³³ Low levels of spending on education is a serious concern for many reasons. Firstly, at a time when the country is poised to take advantage of the demographic transition, a decline in expenditure on education, including early childhood education, can create shortages of skills, besides

¹²⁹ World Bank, *Human Capital Index and Components* (2018)

¹³⁰ Reliefweb, *Lao Floods leave many schools closed at start of new term* (August 2018)

¹³¹ UNESCO, *Global Education Monitoring Report* (2020)

¹³² MoES, *Education and Sports Sector Development Plan 2021-2025* (October 2020)

¹³³ UNICEF; EU, *Investing in Education to Boost the Economy, Graduate from Least Developed Country and Mitigate the COVID-19 Impact* (April 2020)

preventing people from realising their full potential. Secondly, given the close linkages between the mother's education and children's nutrition and health outcomes, the differences in educational attainments for women will have a long-term deleterious impact on many other SDGs –including health and livelihoods. Thirdly, high regional and ethnic differences in educational attainments indicate that very high

multiplier effects can be obtained if investment in education is made in the areas inhabited by ethnic groups and for the ethnic women in particular. Fourthly, education promotes social cohesion and produces not just workers but well-rounded responsible citizens. Finally, uneducated labour force will be less productive and earn less and thus not move out of poverty.



SDG 5: ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

On gender equality, Lao PDR presents a mixed picture. In demographic terms, indicators for women appear to be positive with life expectancy for women being higher (69.4 years) than men (66.4 years) and sex ratio at birth being 99.8/100 in favour of women. There is no overt male child preference in the society or any reports of sex-selective abortions. The primary school enrolment also does not show significant gender gaps although some girls do drop out without completing for various reasons. Although Lao PDR ranks 140 (out of 189 countries) in Human Development Index, when adjusted for gender equality the ranking in Gender Inequality Index (GII) considerably improves to 110. Women are also quite visible in the economic life of the country despite a decline in labour force participation and increasingly running their own businesses – around 30 percent of MSMEs are owned by women. The World Bank's Women, Business and Law Index (2020) ranks Lao PDR well, with a score of 88.1/100.^{xii}

The legislative framework on gender equality has been considerably strengthened. This was supported by setting up of institutional mechanisms as noted by the Committee on the Elimination of Discrimination against Women (CEDAW) in their concluding observations on the combined 8th and 9th CEDAW progress reports. Women's share in the National Assembly in 2015 was 27.5 percent, well above the global average of 24.5 percent. Yet, at sub-national levels and in managerial positions women's representation is much lower. For example, none of the provincial governors and under 3 percent of village chiefs are women. Women are more likely to be self-employed than being a wage worker compared to men. They are less visible in the formal sector.

Women are vulnerable to violence and trafficking.

Thirty percent of ever-partnered women experience one of three forms of violence. The proportion of ever-partnered women and girls aged 15 years and older who report having been subject to physical and sexual violence by partner/non-partner was 20.2 percent. Despite a strong policy framework, and a National Action Plan on the protection and elimination of violence against women and children, 2014–2020, there are implementation challenges and low awareness of laws. There are no effective complaints mechanisms and as many 44 percent victims do not seek any help or demand accountability. Prevalent gender norms and negative stereotypes, and a sense of shame and stigma, also prevent women from reporting gender-based violence. Over 29 percent women stated that husbands were justified in hitting or beating his wife. COVID-19 has caused socio-economic stress, partly contributed to by loss of women's jobs and income, which may cause tension in families and a rise in violence against women and girls in many forms. The Government is implementing actions to prevent and respond to gender-based violence (GBV), promoting access to justice, counselling, establishing hotlines and opening shelters for survivors, and providing mental health and psychosocial support. There is an opportunity for the active engagement of men and boys to address this challenge.

About one third of women are married before 18 despite legislation against it. The percent of women 15-49 who gave birth by the age of 15 was 3.6 percent and by 18 years 18.4 percent. The rates are much higher for women from poorer quintiles, rural areas, ethnic groups and with lower education. Over 71 percent of women in reproductive age currently in marriage/union stated that their demand for contraceptives is satisfied with modern contraceptives.¹³⁴ Unmet need for family planning for

¹³⁴ LSB; MoH; MoES; UNFPA; UNICEF, *LSIS II- Survey Findings Report (2017)*

the unmarried group remained high at 75 percent. Harmful practices like early and forced marriage, early pregnancy, sexual violence, cultural beliefs, and customs that force women to give birth outside the home and hospital are all detrimental to the women's well-being and gender-equality.

Women (and children) bear a disproportionate burden of disasters. They face the increased burdens of

household work in fetching food, water, and fuel. Women often lose their livelihoods, while girls often have to drop out of school. Vulnerability of women and children to trafficking increases, physical and mental health suffers due to lack / disruption of access to basic services, and GBV also increases in temporary shelters among flood-affected women.¹³⁵

PROSPERITY



SDG 7: ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE, AND MODERN ENERGY FOR ALL

Lao PDR is an electricity surplus country and exports most of its power to neighbouring countries. Lao

PDR has an installed capacity of 7,207 MW of which 5,282 MW (73 percent) is hydro and 1,878 MW (26 percent) is coal-based power capacity, the remaining capacity is from new renewable energy (wind and solar).¹³⁶ Hydropower generation and exports are vital to the country's economic growth which sees itself as the "Battery of Southeast Asia". Lao PDR is a net energy exporter, mainly to Thailand and Viet Nam, and to a lesser extent to Cambodia and Myanmar.¹³⁷ The hydro and renewable energy potential in Lao PDR is very high and can easily meet the future electricity need for domestic consumption while supplying power to neighbouring countries- with a potential of 26,000MW from hydro alone.

Investments in coal generation capacity are not consistent with environmental considerations. Due to availability of coal and to complement the production of hydro power which falls during the summer season, a number of coal plants are being planned amounting to another 1,000 MW. Power generated from coal is entirely exported to Thailand. With countries moving towards net zero emissions by 2070, the coal assets now being built now, often with 50-year lifetimes, risk becoming stranded assets. Lao PDR would likely be able to attract significant finance to scale up renewable power if it avoids the path of coal.

The country is off-track for 30 percent target of non-hydro renewable energy established under the Renewable Energy Development Strategy 2011-2025.

Overall, there is a lack of general understanding, knowledge and experience about renewable energy which currently accounts for less than 1 percent of all electricity produced, including small hydro (<10MW), solar energy, bioenergy, and biofuel. While solar energy is expanding, its overall potential remains limited owing to Lao PDR's mountainous and forested terrain, although the south of the country has more potential than the north. Wind power and geothermal energies are unexplored resources. In 2016, biomass energy accounted for 47.5 percent of overall energy supply followed by electricity (19.5 percent) and petroleum (16.9 percent). In the final energy use, the share of residential sector was 74.5 percent, followed by transport (18.6 percent) and industry (6.9 percent).¹³⁸

Ninety-three percent of households had access to electricity with small rural-urban differences. Even though the per capita consumption of electricity in Lao PDR (at 725 kWh in 2017) is one of the lowest in the Southeast Asia, the energy intensity (to GDP) is higher than Indonesia, Myanmar, and the Philippines (though lower than Viet Nam and Cambodia). As of 2017, 93 percent of households relied primarily on solid fuels (wood, charcoal) for cooking.¹³⁹

¹³⁵ ADPC; UNDRR, *Disaster Risk Reduction in Lao PDR: Status Report* (July 2019)

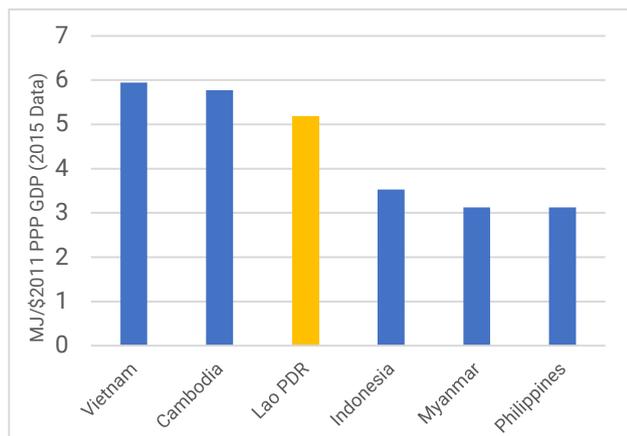
¹³⁶ Electricite du Laos- Gen Public Company, *Investor Presentation* (January 2019)

¹³⁷ ADB, *Lao People's Democratic Republic Energy Sector Assessment, Strategy, and Road Map* (November 2019)

¹³⁸ Ibid.

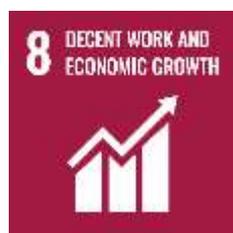
¹³⁹ LSB; MoH; MoES; UNFPA; UNICEF, *LSIS II- Survey Findings Report* (2017)

Graph 12: Energy Intensity



Source: World Bank, World Development Indicators, 2021

The country's infrastructure (including hydropower) is vulnerable to disasters. Given the huge investments Lao PDR has made in mega projects, the disaster risk reduction measures for building resilience and enhancing disaster preparedness for effective response and for building back better in recovery, rehabilitation and reconstruction are national priorities under the 9th NSEDP.



SDG 8: PROMOTE SUSTAINED, INCLUSIVE, AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL.

Despite impressive GDP growth rates, job creation has not been commensurate. Lao PDR had recorded consistently

high growth rates prior to the impact of COVID-19 (over 7 percent during the last decade). With this, GDP per capita grew from USD 2,212 (2015) to USD 2,674 (2018). However, the economy is characterised by high degree of informality. Informal sector employment is as high as 80.5 percent with persons employed in the informal sectors excluded from social protection coverage.

Decent jobs are the primary transmission mechanism of economic growth to social development. In a largely agrarian economy with high degree of informality, figures on formal unemployment are likely to be an underestimate as there are vast numbers of people who are self-employed or underemployed. Nevertheless, it is estimated that unemployment has quadrupled from 4.1 percent in 2012-2013 to 15.7 percent in 2018-2019.¹⁴⁰ Youth unemployment also quadrupled to 21.8 percent in 2018-2019.¹⁴¹ This has been accompanied by a decline in labour force participation for both men and women. The decline was much steeper for women – from 81.8 percent (2012-2013) to 66 percent (2018-2019) – than men (from 87.4 percent to 78.4 percent).¹⁴² The labour force participation rate

ranged between highest of 58.6 percent for urban male and 30.4 percent for rural female.

The country faces a shortage of skilled workforce.

As Lao PDR works to diversify its economy away from hydropower and mining into manufacturing and services led by domestic private sector, greater volumes of specialist skills will be needed. Despite increased enrolment in technical and vocational education and training (TVET) only one-third of enrolment quota is filled due to a tendency to undervalue technical education in comparison to university education.¹⁴³ As per the 2020 Global Education Monitoring Report, less than one percent of youth was enrolled in TVET.

This has in part been attributed to lower quality of general education with limited focus on skills development, lack of a transparent selection process of students for TVET, and lack of incentives for TVET. TVET opportunities for the people with disabilities are particularly limited. However, even with the low training figures, many TVET graduates fail to find relevant employment opportunities and so find themselves working in different sectors, not relevant to their specialised field.

Investment, trade, and industrial policies are often not linked to those focusing on skills development and employment promotion. This has led to missed

¹⁴⁰ World Bank, Lao People's Democratic Republic Poverty Assessment 2020: Catching up and Falling Behind (2020)

¹⁴¹ World Bank, Lao People's Democratic Republic Poverty Assessment 2020: Catching up and Falling Behind (2020)

¹⁴² Ibid.

¹⁴³ UNFPA, Situation of Youth in Lao PDR (2013)

opportunities for policy coherence, in turn hampering development of a demand-driven skills development strategy. As a result, much of Lao PDR's workforce is trapped in low-productivity jobs, and foreign investors often prefer to bring in foreign skilled workers rather than recruit locally.^{xiii} Systematic assessment of skills gaps (including soft skills), co-creation of skills by public and private sectors, strengthening certification and recognition of skills in line with the ASEAN skills standards, which aim to set up effective labour market information systems, and developing modern curricula will be needed for driving future job-rich growth and regional integration. It is also important to recognise the importance of improving the quality of education from early childhood onwards to ensure TVET and higher education graduates acquire the needed foundational skills for further learning.

Youth labour force participation declined sharply from 77.5 percent in 2012-2013 to 57.8 percent in 2018-2019. This indicates in part the desire among youth to pursue higher studies, but also declining labour market prospects for the less educated youth. About 39 percent of men and 45 percent of women (18-20 years) were not in education, employment, or training (NEET). Child labour is high. It is estimated that 42 percent of girls and 43 percent of boys (aged 5-17 years) are engaged in child labour, half of them under hazardous conditions.^{144, xiv}

The benefits from foreign investment for the local population in terms of jobs have been limited. Foreign investment has grown with limited embedding with the domestic private sector through backward linkages or technology transfer. FDI is not well-diversified and is concentrated in a few natural resource-based sectors and from a few sources, with neighbouring China being the largest.¹⁴⁵ Local benefits in terms of job creation have also been limited, as the investors often chose to recruit workers and source equipment internationally. There is some variation in this pattern across investors and sectors. For example, while hydropower and infrastructure/railway have been capital-intensive and created relatively fewer jobs compared to the size of the investment, investments in the garment sector have tended to be more labour-intensive.

As a result of COVID-19, unemployment is estimated to have gone up to over 20 percent.¹⁴⁶ Some sectors have been particularly hard-hit like retail trade, tourism, travel, and hospitality due to a sharp decline in tourist arrivals. Tourism alone accounted for 11 percent of total employment. MSMEs that account for 98 percent of all enterprises have been particularly vulnerable. As most of the employment in these sectors is informal, there is very little social protection available to those affected by the pandemic. The drop in employment opportunities in the country will push people to migrate to neighbouring countries for jobs. Additionally, disasters such as floods and droughts also cause considerable loss of livelihoods since most of the livelihoods are associated with climate-vulnerable agriculture.

Lao PDR is both a source and transit country for trafficking in persons and smuggling of migrants.

Trafficking of women and children (both girls and boys) is a major issue as noted by the Special Rapporteur on Sale of Children. Lao PDR is primarily a source country for trafficking in persons, smuggling of migrants, and irregular migration. Most individuals leaving the country do so in search of better economic opportunities. Of these, between 4 and 23 percent end up as victims of trafficking, commonly either in the sex industry or in forced labour.¹⁴⁷ Though the primary destination for trafficking victims from Lao PDR is Thailand, other destination countries have included China, Indonesia, Japan, Malaysia, and Viet Nam. While women and girls from Lao PDR are typically trafficked into the sex industry, domestic servitude, hospitality, retail factories, or agriculture, men and boys are mainly trafficked into forced labour jobs in the fishing, construction, or agricultural industries. At the same time, the country is also a transit and destination country. In particular, Vietnamese and Chinese individuals, mainly women and girls, are reportedly trafficked through Lao PDR to work in commercial sex industries or forced labour in the Mekong region, particularly in Thailand.¹⁴⁸ Forced labour of Vietnamese individuals in the logging and construction industries along the Lao PDR-Viet Nam border, have also been reported.

¹⁴⁴ LSB; MoH; MoES; UNFPA; UNICEF, *LSIS II- Survey Findings Report* (2017)

¹⁴⁵ IMF, Lao PDR 2019 Article IV Consultation- Staff Report (August 2019)

¹⁴⁶ UN in Lao PDR, UN Lao PDR Socio-Economic Response Framework to COVID-19 (September 2020)

¹⁴⁷ UNODC, *Trafficking in Persons from Cambodia, Lao PDR, and Myanmar to Thailand* (August 2017)

¹⁴⁸ US Department of State, *2020 Trafficking in Persons Report: Laos* (2020); Global Initiative Against Transnational Organised Crime, *China's New Risk Road: Navigating the organised crime risk* (May 2021)



SDG 9: BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALISATION AND FOSTER INNOVATION

Lao PDR has made progress in digital connectivity, but still significantly lags behind peers in the ASEAN region in terms of

connectivity and broadband pricing.^{xv} Digital connectivity is a key driver of socio-economic development. As per the 2020 E-Government Development Index, Lao PDR ranks at 167 out of 193 countries, down by 5 positions compared to 2018.¹⁴⁹ There were 0.36 broadband subscriptions for every 100 inhabitants. Less than 22 percent of Lao people use broadband internet.¹⁵⁰ Mobile penetration is higher, with 5.7 million mobile connections representing 79 percent of population. Most of these (96 percent) were pre-paid connections (January 2020). Internet penetration was reported to be 43 percent with 3.1 million internet users and equal number of social media users.¹⁵¹ The speeds are low and the quality-of-service poor.

The share of manufacturing value added to GDP was 8.8 percent as of 2016 and in employment was 9.1 percent. The environment for innovation and dynamic industrialisation remains challenging. In Doing Business Index Lao PDR ranks 154 out of 190 countries (in 2020) and 113 out of 131 countries under the Global Innovation Index 2020. However, the country has made progress in infrastructure and now 85 percent of the rural population lives in villages connected to all-weather roads. However, with the prevalence of UXO in the country, infrastructure development can be hazardous and costly.

E-commerce is underdeveloped. This affects competitiveness of the country and is a missed opportunity as the workforce, especially youth, can benefit significantly from digital technologies for enhancing their employability.^{xvi} The Government can

also meet the high and rising demand for services through online delivery. The use of digital tools, including video conferencing and document-sharing platforms, is slowly improving within Government. Digitalisation will be a precondition to preparing for the 4th industrial revolution and working towards a knowledge-based economy. The 9th NSEDP refers to this and, taking a cautious approach, calls for further analysis of opportunities and risks associated with it. At this juncture, it appears that the country sees more risks than opportunities in embarking on Industry 4.0.^{xvii}

Cybercrime is an emerging challenge. The internet provides connectivity and opportunity for business and social and economic progress, but technological advances can also be exploited by criminals who are quick to adapt to new opportunities. Facebook and other social networking platforms have become common tools for illegal traders in Southeast Asia and elsewhere because of their immense popularity and insufficient internal enforcement as well as the anonymity they offer users. Sellers initially communicate with buyers via public postings and then use private messaging services on these platforms to negotiate and close sales. This allows both buyers and sellers to conceal their location, while making it extremely difficult to effectively monitor illicit online trading. Law enforcement agencies across the Southeast Asian region must work to stay up to date on the new technological challenge posed by cybercrime and be able to conduct professional investigations using appropriate digital forensic tools. Lao PDR is in its initial phase of combatting cybercrime. Several cybercrime cases have been reported to law enforcement, but investigators are facing challenges, highlighting the need for national capacity building courses.

¹⁴⁹ UN DESA, *e-Government Data Survey 2020: Digital Government in the Decade of Action for Sustainable Development* (2020)

¹⁵⁰ *Ibid.*

¹⁵¹ Datareportal, *Digital 2020: Laos* (February 2020)



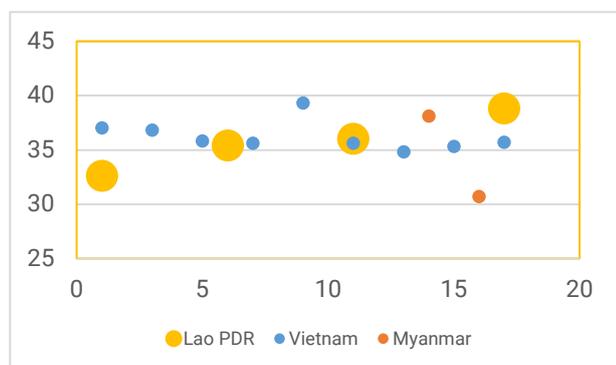
SDG 10: REDUCE INEQUALITY WITHIN AND AMONG COUNTRIES

Both income and non-income inequalities have been rising.

The Gini coefficient, a measure on inequality, has risen from 36.6 in 2012-2013 to 38.8 in

2018-2019. Economic growth has not been regionally balanced or inclusive in terms of age, sex, ethnicity, and disability.¹⁵² Between 2012-2013 and 2018-2019 the growth in the incomes of the bottom 40 percent decile was 2.1 percent, which was lower than the average growth rate of 3.28 percent, pointing to the poor not having been able to close the income gap. Non Lao-Tai ethnic groups are more likely to be poor, uneducated, undernourished, have girls married early and experiencing early pregnancies. Persistent inequalities are not only intrinsically harmful but are also instrumentally detrimental to long-term growth, as multiple deprivations and discriminations (such as in access to health, education, justice and social protection) act as barriers to full participation of vulnerable groups in the labour force, hampering their contribution to the economic life of the country.

Graph 13: Gini Index, by regional comparison



Source: World Bank, World Development Indicators, 2021



SDG 18: REMOVE THE UXO OBSTACLE TO NATIONAL DEVELOPMENT

In per capita terms, Lao PDR is the most heavily bombed nation in the world. During the 1964-1973 Indochina conflict, it was the scene of extensive

Migration to neighbouring countries is an important livelihood strategy. Many Lao people migrate abroad, including through irregular means. Officially Lao PDR sent over 54,000 migrant workers abroad in 2019, with an overwhelming majority destined to Thailand and relatively few to Korea and Japan. Migrant labour made up around 8 percent of the working population, mostly in low-paid, labour-intensive work. Currently, 183,460 Lao workers are employed in Thailand,¹⁵³ tallying 18 percent of the country's foreign labour force. More than 100,000 migrants are understood to have returned to Lao PDR as a result of COVID-19,¹⁵⁴ with loss of incomes for households, especially the poorer ones for whom remittances could account for up to two-thirds of their total income. The country received USD 285 million or 1.5 percent of GDP as remittances in 2019. This is likely to decline to USD 125 million in 2020 or 0.7 percent of GDP.

Investment in social protection as a means of building human capital is making progress but more needs to be done. Globally, it is recognised that all countries should establish national social security systems as a means of tackling poverty, building human capital, strengthening the national social contract, and promoting sustainable economic growth and prosperity. The right of all people to social security is embedded in the Universal Declaration of Human Rights – and many other international conventions – and all countries have committed to building social protection floors in the SDGs. With the majority of the population living on low and insecure incomes, there would be clear benefits from the establishment of a comprehensive national social security system in Lao PDR.

ground battles and intensive aerial bombardments.^{xviii} Some 45 years after the war ended, UXO continues to present a major humanitarian and socio-economic challenge to the country as well as causing deaths and injuries. UXO contamination remains a threat to food

¹⁵² World Bank, Lao People's Democratic Republic Poverty Assessment 2020: Catching up and Falling Behind (2020)

¹⁵³ UN Lao PDR, Developing a shock-responsive national social protection system to respond to the COVID-19 crisis in Lao PDR (July 2020)

¹⁵⁴ World Bank, Lao Economic Monitor: Lao PDR in the time of COVID-19 (June 2020)

security by limiting safe access to potentially rich agricultural land in affected areas and adds to the cost of development projects. UXO threaten the livelihoods and food security of people in more than 25 percent of villages in Lao PDR.¹⁵⁵ Predominantly airdropped and with incomplete flight data to help identify the exact impact areas, it remains a painstaking, labour and resource intensive effort to identify, perimeter mark hazard areas and plan for the strategic clearance and safe disposal of these explosive remnants of war, especially with the challenging geography of the country.

Lao PDR launched its own national Sustainable Development Goal, SDG18: Lives Safe from UXO, adopted in September 2016 in the presence of the Prime Minister of Lao PDR and the UN Secretary-General during the ASEAN Summit held in Vientiane. By 2030, the country aims to ensure that (1) annual casualties from UXO accidents are eliminated to the extent possible; (2) residual UXO activities are undertaken and all known UXO contamination in high priority areas and all villages defined as “poor” cleared; and (3) all identified UXO survivors and victims have their needs met in health, and adequate support provided in terms of employment and livelihoods opportunities for survivors in poverty or at risk of poverty.

UXO remain a significant obstacle to the achievement of the SDGs. Efforts to address UXO contamination started receiving international assistance in the 1990s, first through specialist non-governmental organisations (NGOs) and then through the UN. In 1996, the Government, with the UN support, established UXO Lao (the Lao National Unexploded

Ordnance programme). In 2004, a strategic plan called The Safe Path Forward 2003 to 2013 was adopted for the sector, followed by a subsequent update with the Safe Pathway Forward II for the period 2011-2020 following the joining of the Convention on Cluster Munitions and in 2006, a National Regulatory Authority was established to monitor implementation and coordinate UXO activities in Lao PDR. Safe Pathway Forward III 2021-2030 is now under development.

Lao PDR is a signatory to the Convention on Cluster Munitions (2008), signed on 3 December 2008 and ratified on the 18 March 2009. The first ever Meeting of State Parties was held in Vientiane in 2010 under Lao Presidency of then Foreign Minister H.E. Mr. Thongloun Sisoulith, whereby the Vientiane Declaration and Action Plan was adopted and provided renewed momentum for a more strategic implementation of the UXO programme in Lao PDR.

The magnitude of the problem far exceeds the resources and capacities available. Operations in the UXO sector are currently implemented by a number of Government agencies, humanitarian operators, NGOs and commercial companies, which are all working under the overall coordination and oversight of the National Regulatory Agency (for UXO programmes). Clearing of UXO, rehabilitation of victims and creating economic opportunities for the affected communities have made significant progress. The number of reported UXO casualties declined from 302 in 2008, to 59 in 2016 to 41 in 2017. A detailed survey is under way to map confirmed hazardous areas.

PLANET



SDG 6: ENSURE AVAILABILITY AND SUSTAINABLE MANAGEMENT OF WATER AND SANITATION FOR ALL

Water supply coverage has increased, but most of the population are not drinking safe water. Around 86 percent

of households drink contaminated water with high levels bacteria. Water supply coverage has improved, and 83.9 percent of household population has access to improved sources of drinking water with uneven

access by different population groups. While in urban areas 96.7 percent population had access to improved drinking water, in rural areas without roads this was available to only 65 percent. Further, compared to 91 percent Lao-Tai population, only 67.5 percent of Mon-Khmer population had this access; and while almost the entire wealthiest quintile had access to improved drinking water, among the poorest quintile this

¹⁵⁵ Lao National Unexploded Ordnance Programme (UXO Lao), *Impact of the UXO Problem in Lao PDR*

percentage was 58.4. Women are two-and-a-half times more likely to be the persons in the households responsible for collecting water.¹⁵⁶

The quality of water is a major concern. The drinking water of 86.3 percent of household population was found to be contaminated with E-coli, with more in rural areas (87.7 percent) than urban (73 percent). This contamination may occur between the source and the household during transport, handling, and storage. Interestingly, bottled water was a major source of improved drinking water for many— 81.9 percent for urban areas and 33.1 percent for rural.¹⁵⁷

Improved sanitation is practiced by 73.8 percent of the household population. This is more common in urban areas (94.1 percent) than rural (64.9 percent) and again more among Lao-Tai (84.6 percent) than Mon-Khmer (52.4 percent). People in the richest quintile were four times more likely to be using improved sanitation than the poorest. Open defecation is practiced by 23.9 percent of population, especially in rural areas. Only 28 percent of children from birth to 2 years are in households that dispose of children's faeces hygienically.¹⁵⁸

Hand washing facilities reveal sharp differences with 73.3 urban and 45.6 percent rural households having access to a hand washing facility with soap and water. Lao-Tai were twice more likely to have access than Mon-Khmer and the most affluent quintile four times more than the poorest. Strikingly, only 66 percent of primary schools have both water supply and latrine facilities.¹⁵⁹ Though hard data is not yet available, there is a possibility that more frequent and thorough hand washing, as a preventive measure against COVID-19, may lead to a reduction in the number of diarrhoea cases.¹⁶⁰ Three out of 4 women report that they have a private place to wash and change during menstruation. However, national sanitation standards still need to be updated to include menstrual hygiene management.

There is linkage between poor hygiene associated with open defecation, unsafe water, and undernutrition. This needs to be better recognised in nutrition strategies and policies. Lack of clean water, functional toilets and proper hand washing with soap at schools has a cross-cutting impact on children's

health and educational outcomes, especially for their needs related to menstruation. These issues pose long-term, irreversible, and inter-generational effects on country's economic growth and demographic development.

Despite being a water-rich country, Lao PDR is facing water stress. This is due to increasing demand for drinking water and sanitation as well as demand from agriculture for irrigation. Climate change and upstream dams are affecting the water availability in the country and droughts, which were a rare occurrence in Lao PDR, are now happening more frequently. Water stress is particularly acute in dry season and in northern areas. Agriculture is the biggest consumer of water, and with planned irrigation expansion the demand for water will go up further. Rising population numbers and urbanisation will put pressure on urban demand for drinking water and sanitation. In this context, a more integrated approach to water management is needed, which takes water as resource in its totality and addresses the demands of irrigated agriculture, drinking water and sanitation and industrial demands. Such an approach should also encompass effective use of current hydropower projects for irrigation, flood control, fisheries, and handling climate change. Use of groundwater should also be explored in areas with limited access to surface water and in dry season. Irrigation projects should be managed with active involvement of the community.^{xix}

Development around the Mekong affects environment and livelihoods with transboundary implications. Lao PDR primarily uses the river for hydropower development and has built large number of dams, with many more in the pipeline, and exports power mainly to Thailand to drive national development. Neighbouring countries have flagged their concerns that this large-scale development of hydropower on the Mekong will disrupt delivery of water and sediment in the economically vital Mekong delta, adversely affecting fisheries and rice production vital for food security in downstream countries. The building of dams on the Mekong has led to civil society protests in these countries.^{xx} Cambodia is particularly concerned as the development of hydropower on the Mekong threatens

¹⁵⁶ LSB; MoH; MoES; UNFPA; UNICEF, *LSIS II- Survey Findings Report* (2017)

¹⁵⁷ Ibid.

¹⁵⁸ Ibid.

¹⁵⁹ UNICEF, *Drinking Water, Sanitation and Hygiene in Schools- Global Baseline Report 2018* (2018)

the unique Tonle Sap Lake ecosystem which also supplies sedimentation to Viet Nam and the delta which homes over 5 million Vietnamese. Climate change has further aggravated the situation.

Combined with unprecedented drought in 2019, this had a profound impact on the people who rely on the river for their livelihoods and food security and challenged institutional arrangements for regional management. Mekong-related issues (in particular, dam construction and water utilisation between upstream and downstream countries) have been discussed primarily in regional bodies such as the Mekong River Commission (China and Myanmar are not parties). However, such cooperative vehicles have been

challenged by infrastructure development and geopolitical shifts. In response, new mechanisms have emerged: China established the Lancang-Mekong River Cooperation launched in 2015 and includes all riparian countries, and Thailand revived the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (launched in 2003; China is not party).

There are also economic challenges to hydropower. Limited information is publicly available on the social, economic, and environmental impact analyses; financial data on cost of the project, method, and terms of financing (e.g., debt) and projected revenues; and the structure of regional power market (demand and supply) including the role of solar and wind energy.



SDG 11. MAKE CITIES AND HUMAN SETTLEMENTS INCLUSIVE, SAFE, RESILIENT, AND SUSTAINABLE.

Though Lao PDR remains predominantly rural, it is undergoing rapid urbanisation.

The country has the highest urbanisation rate in Asia. As per the census, the urban population has increased from 27 percent in 2005 to 33 percent in 2015, and is projected to exceed 47 percent by 2025.¹⁶¹ This is largely driven by rural-urban migration^{xxi}, with natural urban growth and reclassification of large villages also contributing to urban growth. Whilst migration to cities is a coping mechanism for rural populations and has contributed to poverty reduction in recent years, many of the migrants (mostly landless) often end up working in low-paying informal businesses in urban areas. This aspect was highlighted by the COVID-19 context, as many residents of informal settlements are often engaged in the informal economy, which requires daily travel and interaction with hundreds of people. Women represent a high percentage of informal workers.¹⁶²

Urbanisation is inevitable with cities becoming the centres of productivity. Urbanisation and the associated densification of key population centres also provide for an opportunity for improving service delivery as the country is one of the most sparsely populated and mountainous in the region and thus the

cost-of-service provision is high. The higher densities in urban areas and the associated economies of agglomeration could further be leveraged to enhance labour skills, health and education and sustainability of infrastructure and investments.¹⁶³ Urbanisation has also been identified as creating new markets for rural products such as supply of agricultural produce and construction materials. However, as an important part of the urban economy is based on travel, tourism and hospitality, the current pandemic has had a significant impact, which will require future efforts to diversify economies and reduce risks for urban populations.

Yet there is no comprehensive strategy for urbanisation, and a lack of coherent urban and territorial planning is observed. Urban infrastructure and services have not been able to keep pace with growing urbanisation. As a result, there has been a gradual increase in the population living in slums.¹⁶⁴ Urbanisation has been characterised by poor spatial planning. There is a limited policy dialogue on urbanisation issues, but there are significant openings for cross-sectoral coordination. Significant amounts of agricultural land and wetlands have been converted to urban and peri-urban areas for residential and economic development. There are cases of urban residents being relocated to less attractive areas in

¹⁶¹ UN-Habitat, *Urbanisation: A Rapidly Emerging Development Issue in Lao PDR* (2020)

¹⁶² MoLSW; Lao Federation of Trade Unions (LFTU); Lao National Chamber of Commerce and Industry (LNCCI); ILO, *Decent Work Country Programme for Lao PDR (2017-2021)- Mid-Term Review Report (2017-2019)* (December 2019)

¹⁶³ Bertinelli, Luisito; Zou, Benteng, *Does Urbanization Foster Human Capital Accumulation?*, *The Journal of Developing Areas* (41:2) (2008)

¹⁶⁴ UN-Habitat, *Urban Indicators Database: Proportion of Urban Population Living in Slums*

peri-urban areas to make way for large scale commercial, industrial and infrastructure development, with limited information available on compensation payments.¹⁶⁵

There are environmental concerns associated with urbanisation. While water supply and sanitation have drastically improved, drainage and solid waste systems struggle to be maintained, and are poorly positioned to cope with increased demand.¹⁶⁶ Uncontrolled conversion of agricultural land and wetlands for residential and economic purposes is resulting in drastically reduced green space and drainage, increase urban flood risks. Environmental concerns also stem from poorly regulated construction, increased traffic congestion, and air quality deterioration. Housing construction needs to improve by integrating sustainable ways of building and adaptation to risks. Lao PDR has the third lowest air quality rating in ASEAN.¹⁶⁷ Haze pollution caused by burning crop residue, firewood and charcoal for cooking are the largest contributors although traffic congestion is also at blame. Growing use of chrysotile asbestos in building industry and road repairs is a serious health hazard. Lao PDR is taking steps to end use even though factories producing asbestos roof-tiles have increased their production.^{xxii}

Lack of effective waste management, including medical waste, and plastic and asbestos pollution are other environmental concerns. In Vientiane, only about half of garbage is managed at landfill sites.¹⁶⁸ Only a small amount of plastic is separated to available recycling plants. With population growth, the amount of waste is going to increase. Due to a lack of waste management, people living along the Mekong dispose of waste including plastic into the river and its tributaries which negatively impact natural ecosystems and human health. The river is now claimed to be amongst the most polluted in the world, one of 10 that collectively account for 93 percent of all plastic waste entering the ocean through rivers.¹⁶⁹ Plastic is consumed by fish, and in turn consumed by people, leading to health problems from ingesting chemicals. There are also common occurrences of garbage burning including plastic, leading to air and

soil pollution, and canal blockage. It is estimated that 11,000 people die annually due to environmental factors. Household air pollution alone represents 45 percent of these deaths. This was 22.7 percent of all deaths in the country.¹⁷⁰

Management of medical waste is a challenge that came into focus during the pandemic, when increasing volumes of medical waste were generated. Mixing medical waste (some of which could be hazardous) with municipal waste, or otherwise unscientific and inappropriate management of medical waste, can create secondary impact on human health and environment. Daily, around 300-350 kg of medical waste is disposed of at the landfill in Xaythany district, Vientiane.¹⁷¹ Lao PDR does not have adequate capacity or equipment (incinerators) for safe disposal of medical waste especially in small and medium cities. The ASEAN Comprehensive Recovery Framework adopted at the 37th ASEAN Summit includes capacity building for healthcare waste management as one of the priority areas.

Lao PDR is also highly exposed to natural disasters. The number of deaths and missing persons due to natural disasters was 738 per 100,000 in 2015. Three disasters in 2018 resulted in a loss of USD 371.1 million and displacement of 600,000 people. Climate change has been identified as a cross-cutting stressor with high risks in pre-existing contexts such as informal settlements or camps for people displaced by disasters.¹⁷² The highest burden by climate change will be borne by the most vulnerable populations with the least resilience. However, work is ongoing to better integrate disaster risk and climate change considerations into urban plans and there is a need to encourage urban planners to mitigate or avoid the identified risks.¹⁷³ Lao PDR is currently adopting a new national strategy for disaster risk management. The gender, ethnicity, and inclusion/exclusion aspects of urbanisation are still under-researched.

Disasters have far reaching economic, social and health impacts and pose a major threat to the long-term development trajectory. Almost all economic activities are affected either directly or indirectly.

¹⁶⁵ UN-Habitat, *Urbanisation: A Rapidly Emerging Development Issue in Lao PDR* (2020)

¹⁶⁶ Ibid.

¹⁶⁷ Environmental Performance Index (accessed June 2021)

¹⁶⁸ MoNRE, JICA, *Data collection Survey on Waste Management Sector in the Lao People's Democratic Republic: Final Report* (February 2021)

¹⁶⁹ Scientific American, *Environment: Stemming the Plastic Tide: 10 Rivers contribute most of the plastic in the oceans* (September 2018)

¹⁷⁰ World Bank, *Environmental Challenges for Green Growth and Poverty Reduction in Lao PDR* (2020)

¹⁷¹ Statement by Director of Vientiane City Office for Management and Service Bounchan Keosithamma, reported in Lao PDR News Gazette, *Medical Waste Incinerator Built* (February 2020)

¹⁷² UN-Habitat, *Impacts of COVID-19 in Vulnerable Settlements and Communities in Lao PDR* (2020)

¹⁷³ UN-Habitat, *National Climate Change Vulnerability Assessment for Disaster Risk Management in Lao PDR: Preliminary Results* (2020)

Damage assessment reports indicate that following disasters, the agricultural sector tends to contract significantly affecting food security and livelihoods. Electricity generation and exports also fall, the debt burden of the households increases, many households are pushed back into poverty, the population gets exposed to various diseases, children's education suffers, there is heightened risk of child trafficking, women's domestic burden increases, as does GBV in temporary shelters, and the population suffers psychosocial trauma.^{xxiii} Disasters have disproportionate impact on poor households whose coping capacity is much more limited. The effects of climate change are also likely to negatively affect harvests, affecting the agriculture sector which so many rely on, and in particular also women and children who will face an increased risk of physical and psychological violence fuelled by economic frustrations.¹⁷⁴

Disaster risks have received limited consideration in urban planning. An Urban Development Strategy was prepared, but it lacks a clear vision for risk management. While the 8th NSEDP makes little explicit reference to the urban context, the 9th NSEDP is clearer and emphasises the "need for urban planning and a systematic urbanisation management to avoid concentration, the lack of safety, poor environment, and limited space to expand green areas."¹⁷⁵ It further states that good urban planning and management will enable city centres to grow in a climate-resilient manner.

The World Risk Index classifies Lao PDR as a 'medium risk' country but with high susceptibility, low coping capacity and low adaptive capacity.^{xxiv} To tackle the emerging threats, the Government is working to incorporate disaster and climate risk management into policies, institutions and national development plans to enhance resilience of various sectors, including in agriculture and environment, housing and transport.¹⁷⁶ Recognising the lack of capacity to anticipate and respond to disasters, especially large-scale disasters, and gaps in the social protection system, Lao PDR is investing in disaster preparedness

and risk reduction. The country does not yet have a nationwide regular social welfare programme that could respond to disasters effectively.

Limited direct support is provided to affected communities. While the disaster risk management sector provides immediate relief, it provides no direct support to affected households or communities in relation to medium-term support and to make for smooth transition from relief to recovery.¹⁷⁷ Upland communities suffer disproportionately more due to poor connectivity and pre-existing lack of access to water and sanitation reflecting local disparities and unbalanced access to vital services.¹⁷⁸ Unabated environmental degradation and inadequate investment in prevention of disasters have heightened disaster risks. That disaster prevention is more cost-effective than disaster response can be gauged from the fact that if prevention takes one dollar, response will cost six.¹⁷⁹ The country has adopted a Strategic Plan on Disaster Risk Management (2003-2020), as well as the National Strategy on Climate Change (2010). It has also adopted a Law on Disaster Management in 2019 and recommendations from the Floods Post Disaster Needs Assessment Report 2018 and Disaster Recovery Framework.¹⁸⁰

Lao PDR is also in the process of adopting a new national strategy for disaster risk reduction (DRR). It has incorporated DRR as a key priority into both the 8th NSEDP and the 9th NSEDP. However, there are implementation challenges posed by lack of data, financial constraints, and capacity gaps to ensure advancement of and synergies between climate change and DRR actions, particularly at the local level. The existing DesInventar disaster database has not been regularly updated and as the country moves towards up-scaled DRR interventions across key development sectors, there is a need for a comprehensive database and quantifiable risk information for conducting sector specific risk assessments.

¹⁷⁴ FAO, *The Gender and Equity Implications of Land-related Investments on Land Access and Labour and Income* (2003)

¹⁷⁵ MPI, 9th NSEDP (draft- December 2020)

¹⁷⁶ Global Facility for Disaster Reduction and Recovery, *Lao People's Democratic Republic Context* (online)

¹⁷⁷ WFP, *Lao PDR Case Study: Strengthening the Capacity of ASEAN Member States to Design and Implement Risk-Informed and Shock-Responsive Social Protection Systems for Resilience* (May 2019)

¹⁷⁸ ADPC; UNDRR, *Disaster Risk Reduction in Lao PDR: Status Report* (July 2019)

¹⁷⁹ National Institute of Building Sciences, *Natural Hazard Mitigation Saves* (2019)

¹⁸⁰ Government of Lao PDR; UN; World Bank; GFDRR; EU, *Post Disaster Needs Assessment, 2018 Floods, Lao PDR* (2018)



SDG 12: ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS

Natural resources have been overexploited. The country has exploited natural resources twice as much as other countries at comparable

levels of development.¹⁸¹ This also comes at a cost of future development – not valuing ecosystems today risks leaving future generations with fewer development options and compromise their development potential. Widespread use of harmful chemicals in agriculture has been noted earlier. These chemicals are not managed in an environmentally sound manner and are released in water, air, and soil.

There are also transboundary environmental issues emerging from larger development projects reported. For example, in a submission to the UPR, a civil society organisation reported that the Hongsa coal plant and mining project in Xayaburi province of the northern Lao PDR operating since 2016, created challenges for not only the local population but also communities living across the border into the neighbouring country. A complaint by the community has been submitted to the National Human Rights Commission of Thailand to investigate the transboundary impacts of the project.¹⁸² Also, a newly opened hydropower dam in the lower Mekong in Lao PDR has sparked protests from villagers from

neighbouring countries who claim it is detrimental for their livelihoods and for the environment. Developers attribute the reduced water levels to weather variations and upstream dams in other countries.¹⁸³

Waste collection services are limited, particularly in rural areas. Waste recycling is underdeveloped. Pollution caused by plastics, often dumped in rivers, has been rising along with associated health implications. Plastic use may have gone up during COVID-19 due to expansion in e-commerce and home deliveries.

Most of the infrastructure projects funded by foreign investment have gone through environmental impact assessments (EIA). However, there are challenges in enforcing these EIAs. Firstly, such EIAs are rarely rigorous and often taken up to as a procedural formality. They are not shared publicly and consultations with affected communities rarely follow internationally standardised criteria. Further to this, when negative environmental impact is documented, projects still go ahead and leave the EIAs un-enforced.¹⁸⁴ The real costs of these projects therefore turn much higher when environmental impact is taken into consideration and may render the projects unviable. The project authorities are also unwilling to bear the extra cost to mitigate the negative impact. Even though the Mekong River Commission has attempted to promote a transboundary EIA framework, limited progress occurred.¹⁸⁵



SDG 13: TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

Lao PDR has adopted a 'green growth' strategy as the future low-carbon development pathway. It aims to promote businesses with low GHG

emissions, incentivizing the use of techniques and modern technologies that generate less waste, save energy, and use clean and environmentally friendly energies, and protect and increase the sources that absorb GHG such as forests. The country has set an ambitious target of 70 percent forest cover by 2025.

The country has been implementing the green growth strategy since 2016, implemented in three different phases aimed at setting up legislative, policy and regulatory framework and mainstreaming green growth strategy into sectoral and local development plans. Even though Lao PDR's contribution to GHG emissions is minimal, the country is vulnerable to climate change and extreme weather events with negative impact on lives and livelihoods. There have been six major floods from 2008-2016 displacing more than 110,811 people.

¹⁸¹ World Bank, *Lao PDR Systematic Country Diagnostic: Priorities for Ending Poverty and Boosting Shared Prosperity* (March 2017)

¹⁸² Manushya, *Third UPR Cycle: Overview of Human Rights Situation in Lao PDR: Legal Framework, Challenges, Case Studies and Community-led UPR Recommendations*, (2019)

¹⁸³ Reported in Reuters: *New Mekong dam in Laos opens to protests, dried-out downstream* (October 2019)

¹⁸⁴ MoNRE, *National Report to the United Nations Convention on Biological Diversity (Volume 6)* (2019)

¹⁸⁵ UNEP, *Compendium on Environmental Impact Assessment systems in the ASEAN Member States* (2019)

As the country embarks on the implementation of the 9th NSEDP within the context of recovery from the pandemic, the country has an opportunity to mainstream principles of green growth and building resilience in the development agenda. There are synergies and commonalities among the goals under the 2030 Green Growth Strategy, the 9th NSEDP, and the SDGs. Guidelines have been drafted for integrating green development into the national development agenda. As a continuation of the 8th NSEDP, the 9th NSEDP has strong emphasis on disaster preparedness and response by investing in capacity building, information sharing, and putting in place early warning system to enable timely emergency response.

As a signatory to the Paris Agreement, Lao PDR has committed to GHG reduction in line with the Nationally Determined Contributions (NDCs). Lao PDR registered record increase in CO² emissions from 0.503 tons per capita in 2010 to 2.595 tons per capita in 2016, an over five-fold increase. The bulk of the emissions are caused by land-use change, “slash and burn” and forestry.

Lao PDR has set a target of zero net emissions by 2050 in the 9th NSEDP announced during the recent Climate Ambition Summit in December 2020.¹⁸⁶ The

country will also continue to implement the NDC and GHG emission mechanisms such as reducing emissions from deforestation and forest degradation to contribute to the international emission reduction. Since emissions are closely linked to the resource use, the ‘green growth’ strategy can be the future development pathway that promotes (a) resource use efficiency and (b) takes a low-carbon route to development. The key sectors where attention needs to be paid include energy –to promote efficiencies in buildings and transport; agriculture – preventing slash-and-burn and ending use of harmful chemicals; forests – preventing deforestation, logging, and burning while promoting sustainable use for livelihoods; infrastructure – which is ‘energy-efficient, disaster-resilient and has least impact on environment; waste management – both solid waste and hazardous waste; biodiversity protection; integrated water resources management, developing WASH infrastructure and ensuring that dam construction no longer negatively affects neighbouring communities. The transport sector may be incentivised to use more ‘green’ technologies such as electric vehicles. As the tourism industry took the biggest hit from COVID-19, eco-friendly tourism could be promoted. Lao PDR’s technical capacity to access international funds like the Green Climate Fund is limited.¹⁸⁷



SDG 14. CONSERVE AND SUSTAINABLY USE THE OCEANS, SEAS, AND MARINE RESOURCES FOR SUSTAINABLE DEVELOPMENT

Lao PDR has adapted SDG 14 to suit its landlocked status and covers “aquatic resources” under this goal. Fisheries are at

subsistence levels and captured mainly for food security. Aquatic resources are under threat due to the habitat degradation and water pollution covered previously. There is also illegal, unreported, and unregulated fishing that requires a national framework. Research undertaken by the Ministry of

Agriculture and Forestry (MAF) in collaboration with the National University of Laos with support from the Mekong Development Centre show that the country’s harnessing of the Mekong River for hydropower is causing loss of fisheries in Lao PDR and downstream countries.¹⁸⁸ Recognizing this, Lao PDR has committed to increasing efforts to monitor the effectiveness of modified channels for fish migration and reproduction, with two new monitoring sites upstream and downstream of Khone Falls to be implemented.¹⁸⁹

¹⁸⁶ Prime Minister H.E. Thongloun Sisoulith, *Statement of Lao PDR to the Virtual Climate Ambition Summit* (December 2020)

¹⁸⁷ MoNRE, *Lao PDR GCF Country Programme* (February 2019)

¹⁸⁸ CGIAR Challenge Program on Water and Food, *Fisheries and Aquaculture Production in Reservoirs in Lao PDR*

¹⁸⁹ MRC, *Annual Report 2019 Part 1: Progress and Achievements* (2019)





SDG 15: PROTECT, RESTORE AND PROMOTE SUSTAINABLE USE OF TERRESTRIAL ECOSYSTEMS, SUSTAINABLY MANAGE FORESTS, COMBAT DESERTIFICATION, AND HALT AND REVERSE LAND DEGRADATION AND HALT BIODIVERSITY LOSS

Lao PDR hosts globally significant biodiversity.

The country can be divided into four main eco-regions, including, (a) the Northern Highlands, (b) the Annamites Range; (c) the Indo-Chinese karst landscapes; and (d) the Mekong plain. The country's biodiversity is threatened by climate change, illegal logging and wildlife trade, infrastructure development in and around protected areas, and expansion of agriculture and settlements. Goods and services offered by the country's biodiversity are critical for livelihoods, reducing poverty, and for pursuing a green growth pathway. Demand for natural attractions and wildlife drives Lao PDR's tourism, which could grow over the next decade from 4.3 percent of 2019 GDP and 3.5 percent of jobs to the global average of approximately 10 percent of GDP and 10 percent of jobs.¹⁹⁰

Much more work needs to be done to ensure the sustainability of key biodiversity areas. The country has prepared a national list of 210 species considered to be threatened, endangered, or critically endangered. In recent years, there has been encouraging legislation to protect Lao PDR's biodiversity and to support stricter management of forests and biodiversity respectively, as well as the recently revised Forestry Law. In 2019, three Protected Areas were elevated to the status of National Parks and in 2020, the new National Eld's Sanctuary was created. Further support for policy and governance needs to be implemented. Funding for the management all Lao PDR's Protected Areas remains chronically low and ineffective. As such, new forms of sustainable financing incentives for protecting Lao PDR's biodiversity are required in the forms of payments for ecosystems services, private-public investments in biodiversity, and enhanced economic activities such as ecotourism and support for community-based forest management.

Forest cover is under serious threat and deforestation is taking place at an alarming rate, leading to the acceleration of periods of drought.

In 2019, droughts were identified mainly in the north, with higher degrees of concentration in the province of Bokeo, where 62 percent of the villages experienced at least one episode.¹⁹¹ Overall forest cover declined from 70 percent in 1940 to 40 percent in 2018 (or 58 percent if revised definition is followed which includes agroforestry and cultivated forest land). The national target to achieve 70 percent forest cover by 2020 was not achieved and has moved to 2025. The share of land area covered by *protected* forests area was 20 percent in 2015. Land area covered by *conservation* forests was 15.1 percent in 2015 and plans for the expansion of mining and hydropower projects could conflict with targets to expand forest cover.

The number of rural villages reporting land degradation was 29 percent. Uplands and mountainous regions face threat from slash-and-burn, deforestation for major projects, logging and land and forest degradation caused by climate change. However, there have been encouraging pieces of legislation to address the above issues including Prime Minister's Order No. 15/PM on Strengthening Strictness of Timber Harvest Management and Inspection, Timber Transport and Business; Prime Minister's Order No. 05 on the management and inspection of prohibited wild fauna and flora; and Revised Forestry Law (2019). A protected areas decree is in the making.

Illegal wildlife and timber trafficking are increasing.

Wildlife traffickers in Southeast Asia have a comparative advantage due to strong local demand and reliable local supply from within the region, making Southeast Asia home to some of the world's largest illicit wildlife markets. Similar to drug trafficking, transnational organised crime groups are taking advantage of Lao PDR's geographic position,

¹⁹⁰ World Bank, *Lao Biodiversity: A Priority for Resilient Green Growth* (July 2020)

¹⁹¹ UN-Habitat, *National Climate Change Vulnerability Assessment for Disaster Risk Management in Lao PDR: Preliminary Results* (2020)

long unmonitored borders, and weak law enforcement to traffic endangered animal species from, to, and through Lao PDR. With increasing demand both domestically and regionally, Lao PDR has developed into a transit hub for the trafficking of endangered wildlife species and their parts, including elephant ivory, rhinoceros' horn, and other wildlife specimens

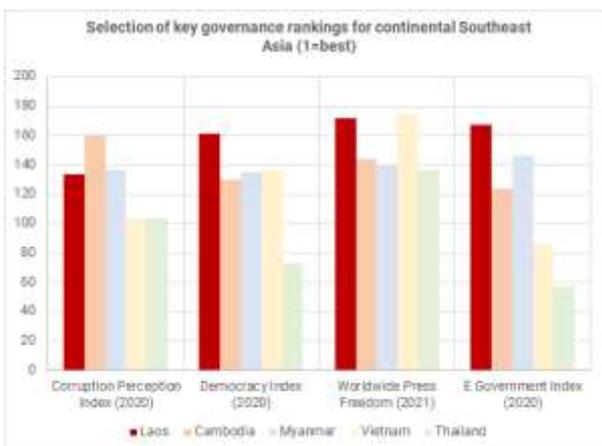
which are smuggled through the country to final destinations in other Asian countries.¹⁹² Centrally located in the Mekong region, and positioned beside two of the largest alleged markets for these illicit wildlife products – China and Viet Nam, Lao PDR is increasingly targeted by transnational crime networks as a transit route.

PEACE



SDG 16. PROMOTE PEACEFUL AND INCLUSIVE SOCIETIES FOR SUSTAINABLE DEVELOPMENT, PROVIDE ACCESS TO JUSTICE FOR ALL AND BUILD EFFECTIVE, ACCOUNTABLE, AND INCLUSIVE INSTITUTIONS AT ALL LEVELS.

Graph 14: Governance Rankings for continental Southeast Asia



Source: Multiple sources

The Constitution was promulgated in 1991, with the most recent amendment in January 2021 during the 11th National Congress of the Lao PDR People’s Revolutionary Party (LPRP). Under the Constitution, the National Assembly represents the people of Lao PDR. It serves as the legislative branch, and oversees the activities of the executive body, courts, and Office of the Public Prosecutor. Elections take place every five years with the most recent taking place on 21 February 2021. The current 9th National Assembly has 149 members, of which 144 belong to the LPRP and 5 are independent (albeit part of the Lao Front for National Development). The members are elected directly by the people from a vetted list. Nearly 73 percent of the members of the current National

Assembly were elected to the National Assembly for the first time, and 27.5 percent of the members (41 members) are women.

The duties of the National Assembly are defined in the Constitution. These include adopting laws and strategic plans; approving the budget; electing the President, the Vice-President, Prime Minister (based on the recommendation of the President) and members of the National Assembly Standing Committee. The National Assembly is playing an increasingly strong role, although not yet providing an effective system of oversight to the Executive, courts and prosecutors as mandated by the Constitution. While the capacity of the National Assembly members to represent their constituents and examine draft legislation has improved, it remains limited. While the 2012 Law on Making Legislation mentions consultations on draft laws, most laws are made without much consultation with the wider public although some technical consultations do take place.^{xxv}

Progress has been made in Government structure reforms. These include restructuring of ministries after a functional review, capacity building of civil servants, and anti-corruption action. Business process re-engineering has taken place and single-window service centres set up to improve efficiency, transparency, and accountability in service delivery. Citizens do not yet have an effective formal recourse mechanism against administrative actions including poor service delivery or arbitrary exercise of power,

¹⁹² Convention on International Trade in Endangered Species of Wild Fauna and Flora, Sixty-Seventh Meeting of the Standing Committee (Johannesburg, South Africa), (September 2016)

for example a formal complaints mechanism for administrative violations which is led at the ministerial level. The five-year Ministry of Home Affairs (2021-2025) strategy aims to address the much-needed administrative reforms through improvement in civil service regulations, capacity development of the civil servants and restructuring Government offices in line with the decentralisation process currently taking place in the country. However, the decision-making channels among public institutions are not always clear and they seem to still work in silos. Similarly, the ability of the service centres to ensure efficient, transparent, and accountable public service delivery is limited. Poor coordination between the multiple ministries and between the central and local authorities remains a challenge. Digitalisation is not well-structured and may yet not be able to effectively address the often-compartmentalised functioning of the Government.

Decentralisation and local government are governed by the Sam Sang (Three Builds) Policy. Lao PDR has 'democratic centralism', which is a mix of local authority but with a strong centralised oversight and strategic control resulting in limited financial devolution, including the delegation of some levels of financial decision-making to sub-national levels of government, but with overall control retained by the central Government. The country has three levels of local government: province, district and village assigning villages as the development units, districts as the integration units for planning and budget preparation, and provinces as the strategic units. The policy is an approach to decentralised governance to improve local governance, strengthen accountability and ownership in implementation of national programmes and policies at local level, and improve service delivery.

The District Development Fund implemented in 60 districts across 12 provinces and the 32 Public Service Innovation Facility projects implemented in nine provinces are key interventions to improve service delivery that better responds to people's needs in line with the Sam Sang policy. Though these interventions have improved the capacity for local socio-economic planning, the decentralisation policy in practice has worked more like a de-concentration policy without effective fiscal decentralisation or

devolution of functions. The required public administration reforms have not taken place and decision making is still highly centralised. The authorities' discretionary powers to spend money locally is limited and budget constrained. There have also been reversals in the policy, notably on land concessions, FDI issues and ODA expenditure where central government retains more control over decision-making.¹⁹³

Progress has been made in strengthening the rule of law and in making laws compliant with international norms and standards. New important laws have recently been adopted, such as the Civil Code and the Penal Code, but training on these new laws and monitoring of implementation need to take place. The overall lack of a mature legal sector also explains Lao PDR's decline in ranking in the Doing Business Index (154 out of 190 in 2020) which measures business regulations. The Lao Civil Code approved by the National Assembly in 2019 with more than 90 percent of the vote came into force in 2020 and is expected to uphold the rights of the citizens and further strengthen the Lao legal framework. While it is a positive step that the judicial system has been disposing of large number of cases, the judicial system itself is not independent, and the vulnerable groups often face barriers to access to justice.

Although a Legal Aid decree was passed in 2018, the legal aid system remains constrained. There is a chronic shortage of lawyers (including those providing pro bono legal aid) and judges and limited understanding of access to justice issues among disadvantaged groups including women, ethnic minority groups and persons with disabilities.¹⁹⁴ Some legal assistance is available to the survivors of domestic violence, children, and workers with development partner support and through trade unions. There are also civil society-run legal aid clinics that have helped vulnerable people and created legal awareness.xxvi

In addition, there are informal Village Mediation Units that resolve domestic and local disputes. They are often faster and have the advantage of being available locally. They are thus the most preferred grievance resolution mechanism, more than village heads, police or courts. In a survey conducted in

¹⁹³ Government of the Lao PDR, *Decree on the Management and Utilization of Official Development Assistance* (2019); Government of the Lao PDR, *Decree on the approval of controlled business list and concession Activity in Lao PDR* (2019)

¹⁹⁴ UN in Lao PDR, *UN-Lao PDR Partnership Framework Progress Report 2019* (draft)

2015, as many as 75 percent of the respondents expressed their satisfaction about the services rendered by the Village Dispute Resolution Committees.¹⁹⁵ These units function in an informal manner, not within the normative framework and do not record the process.

Lao PDR has set up the National Human Rights Committee to protect and promote human rights in the country.^{xxvii} The Committee is the overarching human rights mechanism for the promotion and protection of human rights. In addition, there are other domestic mechanisms for the promotion and protection of human rights of certain groups such as the National Commission on Advancement of Women, Mothers-Children, the National Committee for Persons with Disabilities and the Elderly, the National Steering Committee on Anti-Human Trafficking, and the National Assembly with its complaint mechanism. In view of this, the country did not accept the recommendation under the 3rd cycle of the UPR to set up an independent National Human Rights Institution in compliance with the Paris Principles.¹⁹⁶ The National Committee for Persons with Disabilities has not yet been able to fulfil its mandate due to lack of resources and due to lack of capacity of the Secretariat to ensure effective functioning of the Committee. There has been no dissemination about the national disability legislation that recently came into force. As a result, persons with disabilities and Government officials are unaware of the legislation and its provisions.

The country is making progress in creating legal awareness about rights among people and setting up mechanisms to redress public grievances. The Ministry of Home Affairs conducts Service Users Feedback Surveys to capture grievances of citizens on access to basic services and informs district authorities so that the feedback from the citizens is taken into consideration during formulation of socio-economic development plans. District Service Delivery Monitoring System is a corresponding tool developed by Ministry of Home Affairs to monitor and track improvement in the basic service delivery based on the grievances of the citizens. The 2019 Service Users Feedback Survey conducted by the Ministry pointed to the fact that a majority of citizens

approach the Office of the Village leader for redressal of their grievances.

The National Assembly has initiated a complaint redressal mechanism through a 'Hotline' for the use of citizens. However, the functioning of the hotline so far has shown many gaps that would need to be addressed. Firstly, the hotline is open only twice (eight weeks in total) a year when the Assembly is in session which make it less useful as an immediate grievance mechanism. Secondly, many high-ranking officials are reluctant to respond to complaints or give insufficient and unsatisfactory answers.¹⁹⁷ Thirdly, the constituents perceive the entire process of hotline clearing and response procedure to be too difficult and lengthy. Lastly, the hot line mechanism functions more like a 'complaint clearing house' rather than as an institution to resolve, initiate investigation and debate grievances of the citizens.¹⁹⁸

The country's constitution and laws provide for representation, participation, inclusion, equality and non-discrimination. There has been significant progress in the implementation of these principles through various laws, policies and programmes, and the rights particularly of women and children are progressively better protected, yet there are challenges, including the lack of a comprehensive anti-discrimination law.^{xxviii} These include, among others, the gaps in implementation capacity at various levels of administration, weak accountability of the law enforcement agencies, high levels of corruption¹⁹⁹ and lack of downward accountability. The country ranks 130th out of 180 countries in the Corruption Perception Index (2019).

Civic space is expanding, but unevenly. The global alliance of civil society organisations, CIVICUS classifies the country as "closed" for civil society. According to the Ministry of Home Affairs, there are around 178 Non-Profit Associations (NPAs) and 33 Foundations registered with the Ministry as of September 2020. Decree on Associations No. 238 of 2017 which, according to the Government aims to unify and standardise the registration process, has determined the principles, regulations and measures for the establishment, operations and management of Associations to be used as basic references for the establishment of Associations of Lao citizens,

¹⁹⁵ UNDP, *Public Justice Survey* (June 2015)

¹⁹⁶ Human Rights Council, *Report on the Working Group on the UPR: Lao People's Democratic Republic: Addendum, Views on conclusions and/or recommendations, voluntary commitments and replies presented by the State under review* (2020)

¹⁹⁷ 8th Legislature of the National Assembly, *Summary Proceedings of the 9th Plenary Session* (June-July 2020)

¹⁹⁸ *Ibid.*

¹⁹⁹ Transparency International, *Corruption Perceptions Index 2020*

relevant State's organisations, for the management, monitoring, inspections and promotion of Associations to operate in compliance with the Laws of Lao PDR.²⁰⁰

While the NPAs engaged in the delivery of development programs in agriculture, health, education, environment, and gender are allowed to function relatively smoothly, NPAs that work on matters pertaining to human rights violations including rights of detainees, land rights, media freedom and forced disappearance, are at higher risk of scrutiny. Some NPAs representing groups – such as persons with disabilities, lesbian, gay, bisexual, transgender, intersex and queer persons (LGBTIQ), and those working on gender issues and equality see relatively greater freedom to function. The Government has ratified the UN Convention on the Rights of Persons with Disabilities (2008) and has submitted its very first report under the treaty. The promulgation of the national disability law in 2019 and the National Disability Strategy 2020 are major developments that provide relatively more space for NPAs working on the rights of people with disabilities. The law on NPAs envisages re-registration of all NPAs every year. The registration process is detailed, involving multi-layered approvals.

Civil society capacity is also limited in carrying out independent analysis, stimulating discussion and engaging in constructive dialogue. Broad and constructive engagement with the development process can accelerate progress and build resilience. An active and engaged civic space can facilitate this. However, in Lao PDR, the donor dependence of civil society adversely affects their sustainability and hampers long-term engagement on key strategic issues. This limits its effectiveness in taking part in the process of refining policy and generating solutions to development challenges. The Government also takes a cautious approach to approving international non-governmental organisations (INGO) support to NPAs in certain areas of work and INGOs also require registration. The somewhat adverse environment for civil society engagement also limits their professional growth and capacity to advocate on important issues, act as a

countervailing force to any arbitrary exercise of executive powers and act as a watchdog. This can hamper civil society efforts in holding the state accountable for its actions such as by demanding information on how important decisions are made, how public money is spent, investments made, or contracts awarded.

Indicative of the restrictions applied to public information and media, the Press Freedom Index 2020 ranks Lao PDR 172 out of 180 countries.²⁰¹ Lao PDR is classified by Freedom House as “not free” with a score of 14/100 under Press Freedom (2020). Content produced by foreign media offices is often censored. Social media has less restrictions, but a 2014 decree forbid the dissemination of content including any information that “bribes or convinces the people of Laos, and abroad, to attack against the Lao People’s Revolution Party, the Government of the Lao PDR, or destroy the peace, independence, sovereignty, democracy, and prosperity of the Lao PDR”.²⁰² Authorities often warn social media users with reprisal rather than suggest companies to take down the content or block access to the site. There have also been allegations of ordinary citizens having been detained for raising issues around corruption in judiciary or challenges in the response to flooding in the country.²⁰³ In an official response to the allegations, a government investigation concluded that the detention was in response to criminal acts and in accordance with the law.²⁰⁴ In line with the broader regional trend during the COVID-19 outbreak, the Government is likely to further monitor social media traffic to counter “fake news” and in the process stifle dissent.²⁰⁵ In May 2020, CIVICUS reported that individuals circulating a video of a land grab were detained and there were arrests for ‘fake news’ or ‘spreading rumours aimed at causing public panic’ related to COVID-19.²⁰⁶ Notwithstanding these trends, social media continues as an active outlet for civic action and engagement and is giving voice to ordinary citizens.

Strong governance institutions are a precondition to effective disaster risk management and emergency response. Governance systems that are multi-tiered and well prepared to manage emergencies, in terms

²⁰⁰ Ministry of Foreign Affairs (MoFA), e-mail communication, 25 June 2021.

²⁰¹ Reporters Without Borders, *World Press Freedom Index (2020)*

²⁰² Government of Lao PDR, *Decree on Internet Information Management No. 327* (September 2014)

²⁰³ Joint Allegation Letter from Special Procedures, LAO 02.2021; JAL 02.2021

²⁰⁴ Permanent Mission of the Lao PDR letter to The Office of the High Commissioner for Human Rights of the United Nations (October 2020)

²⁰⁵ FORUM-ASIA, Solidarity for ASEAN Peoples' Advocacy, and SHAPE-SEA, *Human Rights in Southeast Asia in Times of Pandemic Report from FORUM-ASIA Webinar Series: The Status of Human Rights in ASEAN during COVID-19 Pandemic* (April-May 2020)

²⁰⁶ As reported in International Institute for Democracy and Electoral Assistance, *Global State of Democracy Indices*

of legislation and resources, are able to minimise the loss of life and livelihoods. For effective and timely community-level response, it is important that also sub-national governance is empowered with capacities and resources to build community-based disaster management systems, including early warning system, aligned with the national and provincial system and strategy.

Responsibility for disaster risk management, coordinated by the National Disaster Management Office, has moved from the Ministry of Natural Resources and Environment to the Ministry of Labour and Social Welfare. The Disaster Risk Management Law was adopted in April 2019. National Guidelines for Disaster Recovery are being developed.

PARTNERSHIPS



SDG 17. STRENGTHEN THE MEANS OF IMPLEMENTATION AND REVITALISE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT

The country is on the verge of graduating from the list of countries under the category of “Least Developed Country” or

LDC status. In 2021, the UN Committee for Development Policy recommended Lao PDR for graduation, with an extended 5-year preparatory period in light of the impact of COVID-19, which would mean graduation would take place in 2026. This recommendation is subject to endorsement by the General Assembly.

The direct net impact of graduation is likely to be limited but would require management. LDCs receive international support in three areas: trade, development cooperation and support for participation in international forums. Measures related to trade include preferential treatment in trade of goods and services, special treatment under certain regional agreements and the WTO, and technical assistance related to trade. In the absence of policy changes, it is estimated that it could face a trade loss of USD102 million once all transition measures have been phased out, corresponding to 1.2 percent of its projected exports in that same year.²⁰⁷ To overcome such loss, three strategies have been identified. First, attaining the EU Generalised System of Preferences Plus (GSP+) rather than the standard GSP could reduce the trade loss by 70 percent. Second, targeted trade promotion to remove market frictions will help sectors that currently do not exhaust their export

potential in certain markets. Third, export diversification could help focus resources on alternative products and markets that offer room to increase exports and thereby compensate for the graduation-induced losses.²⁰⁸ All such measures will however require active engagement and intended action to formulate new trade policies.

Lao PDR will not benefit from global duty free, quota free schemes as the majority of trade and export is destined for ASEAN and China. However, the country will continue to export duty-free under regional trade arrangements or most-favoured nation clause. The substantial negative impact will be on exports to EU, which may grant an additional three-year transition period under the Everything-But-Arms scheme after the LDC graduation date.²⁰⁹ No significant impact is expected in market access for services as no LDC has so far benefited under the WTO’s “services waiver.”

Special and differential treatment under regional agreements is not dependent of LDC status and the country will continue to enjoy this even after graduation. Special and differential treatment under WTO rules (other than market access) available to LDCs have never been utilised by Lao PDR and would have no impact as these are time-bound rules and would have expired anyway before the graduation.

Graduation may lead to very small impact on the development assistance with some donors shifting from grants to soft loans. Some other areas of

²⁰⁷ ITC; Decreux, Yvan; Spies, Julia, *Trade Implications of Lao PDR’s Graduation from LDC Status (2020)*, ITC, 2020

²⁰⁸ UN DESA, *Ex-Ante Assessment of the Impacts of Graduation of Lao PDR from the Category of Least Developed Countries (LDCs)* (March 2020)

²⁰⁹ ITC; Decreux, Yvan; Spies, Julia, *Trade Implications of Lao PDR’s Graduation from LDC Status (2020)*, ITC, 2020

development cooperation like the South-South cooperation, financing by development banks and the vertical funds (GFATM and GAVI) will be independent of the LDC status. In sum, given the nature of its trade, the minimum three-year smooth transition period and the fact that the majority of funding (and other development cooperation) is independent of the LDC status will limit the negative impact. Lao PDR would also remain in the priority group of landlocked developing countries after graduation.

Public debt is high and the fiscal situation challenging- as covered in more detail in the financial landscape analysis. Moody's and Fitch have both downgraded the country below investment-grade risk levels. The fiscal deficit, at 7.5 percent of GDP (2020), reflects substantial challenges for macroeconomic management, in addition to reduced revenue collection during the pandemic. Remittances transferred through formal channels are estimated at around 1.5 percent of GDP (2019) but likely to decline by USD 125 million or 0.7 percent of GDP due to COVID-19. FDI inflows rose sharply from 7.5 percent of GDP in 2015 to 9.9 percent in 2017 but declined to 7.8 percent in 2018. The weak global growth outlook due to COVID-19, moratorium on mining projects, and debt unsustainability, among others, are likely to reduce the FDI flows in the immediate future.

Non-availability of disaggregated and quality data hampers evidence-based policymaking and monitoring of SDGs. The overall national statistical capacity score at 67.8 was below the average of East Asia and the Pacific (75.1),²¹⁰ and although the country collects data from administrative records and surveys, there are gaps in official data which are, with some exceptions, often not disaggregated by gender or vulnerability criteria (e.g., disability, ethnicity, migrant status etc) and thus impedes policymakers from gauging the differential impact of policies on different groups. Data on various social indicators by disability, for example, can help the Government to formulate a social services policy targeted at people with disabilities and thus fulfil its commitments under the Convention on the Rights of People with Disabilities. Much of the data on indicators such as health, nutrition, food security and poverty are also only

available at the provincial level, without further disaggregation. This makes targeting of interventions a challenge. There are also additional data gaps, for example, for the health and nutrition status of school-aged children. Lack of agreed definitions also leads to inconsistent data, especially regarding administrative and territorial classification.

Even where information is collected and available, it is not always fully used for policymaking, planning, and budgeting. Lack of baseline data for hazard, exposure, and vulnerability analysis is a critical gap in disaster risk reduction and from a climate risk vulnerability assessment perspective with respect to infrastructure development and development plans.²¹¹ The meteorological and hydrological data available are not effectively used for disaster risk reduction planning. This is particularly the case with flood risk mapping. In the face of rising storm and flood risks driven by climate change, this is essential for spatial and sectoral planning, and would contribute to more sustainable and balanced development, and an avoidance of high disaster relief costs if the risk assessments are considered in development planning.

There are also significant data needs for monitoring and reporting on SDG progress. There are at least 102 indicators out of 238 for which no data are available. As outlined by the MPI, improvements are needed in the existing information systems including to track the SDGs especially in view of the convergence of SDGs and the NSEDP. Under the MPI, the country has a Strategy for the Sustainable Development of the National Statistical System (SDNSS) 2016-2025 that aims at improving the quality of statistics by strengthening statistical infrastructure and capacity. The strategy review made since the previous SDNSS 2010-2020, takes stock of remaining challenges, and defines strategies and work programmes to address them. This is an opportunity for the UN, both as producers of data and as users, to support the national statistical system in improving its capacity to produce and disseminate statistics that comply with international standards and to promote their use in policymaking. To this end, it would be vital to ensure an alignment of data used for the monitoring and evaluation of the forthcoming UN-Lao PDR Sustainable Development Cooperation Framework

²¹⁰ World Bank, *Statistical Capacity Indicators*

²¹¹ ADPC; UNDRR, *Disaster Risk Reduction in Lao PDR: Status Report* (July 2019)

with that of the national development planning at large, e.g., the NSEDP and that these align with the SDG indicator framework at global and the nationally tailored indicators.

Moving forward, Lao PDR should take advantage of the global partnership for sustainable development and achieve SDGs through universal trading system,

increased developing country exports, removal of trade barriers for LDCs, foreign direct investment and South-South and triangular regional and international cooperation on technology, innovation, and knowledge-sharing. To this end, standardised data and universally applied data management methodology would facilitate such exchange, partnership, and collaboration.

6. Leave No One Behind

Drivers of Exclusion

The country's growth performance, as noted earlier, has not been sufficiently inclusive. COVID-19 is likely to have worsened the pre-existing inequalities and vulnerabilities of some population. Four key interlinked drivers of exclusion and inequalities can be identified.

The economic model did not create enough jobs or reduce poverty commensurately. For every percentage increase in growth rate, poverty declined by 0.4 percent. This rate has gone up to 0.67 percent in 2018-2019 but is still lower than ASEAN peers. As noted before, the growth in the incomes of the bottom 40 percent was lower than the average. Land concessions granted to major projects and valuable forests cleared to make space for the hydropower and large infrastructure projects, have become sources of exclusion. There are examples of families and communities, mainly highland ethnic groups, have been displaced and uprooted from their habitat without adequate consultation, information-sharing or compensation. The direct economic benefits of these projects to the Lao population in terms of local employment or improved conditions have not been commensurate. The domestic business environment is not conducive and faces barriers, including lack of transparency.

Natural resource commercialisation and degradation have resulted in communities losing control over and access to forests, land, and common property resources in rural areas. The policy of using land as

capital has alienated population segments, especially upland ethnic groups, from their land, affecting their lives and livelihoods. The World Bank estimates that the cost of environmental degradation has been 7 percent of GDP in 2013. The natural resource exploitation of this magnitude limits the future growth potential and the ability of the economy to provide livelihoods. There are also transboundary implications associated with the construction of large number of dams on the Mekong which may become future environmental hazards as well as trigger disputes and contribute to the destruction of livelihoods of vulnerable populations.

Investment in human capital has not been enough. There are gaps in the health, education, and social protection system in the country which hamper poverty reduction and inclusive growth. Social services are unevenly available to different ethnic groups and in remote rural and mountainous areas. In fact, almost all human development indicators for other ethnic groups are worse than for the ethnic lowland Lao-Tai group. With the current levels of stunting, underweight and malnutrition among children, high rates of early marriages, adolescent pregnancy and dropout from school among adolescent girls from rural and ethnic communities, poor health outcomes among women and girls of upland ethnic groups, poor learning outcomes and lack of access to relevant vocational skills for employment cannot contribute to a healthy, educated

and skilled representative workforce in the country or realise their own human potential. Social protection system does not serve well the people with disabilities, vulnerable women and children, older persons, displaced persons, and households in extreme poverty, among others.

Despite some progress in recent years, governance institutions do not always protect the rights of all segments of society. Consultations with participation of communities on the decisions that affect them the most do not take place systematically.²¹² The speed with which some economic policies have been implemented has not consistently allowed for full adherence with agreed human rights obligations.²¹³ High corruption levels adversely and disproportionately affect some vulnerable groups and perpetuate inequalities.²¹⁴ Organised criminal activities such as trafficking in drugs, smuggling of migrants, and money-laundering disproportionately affect the poor.²¹⁵ There is no effective complaints mechanism system, that supports the receipt of

complaints from marginalised and vulnerable groups in particular. Existing mechanisms are limited to the hotline set up by the National Assembly, which is available for eight weeks per year when the Assembly is in session, and a comment box for public complaints by individual ministries and equivalent organisations.

Social norms, attitudes towards gender, and prejudices against certain ethnic groups, stigma against persons with non-majority sexual orientation or identity, and non-conformity with the needs of persons with disabilities further reinforce the drivers of exclusion. These result in low women's participation in the labour force, lower enrolment of women and girls in higher education, gender-based violence, violence against children, harmful practices, including early marriage and pregnancy, non-recognition and discriminatory treatment of ethnic, linguistic, religious, and sexual minorities, and people with HIV and disabilities, among others. Such societal norms have a powerful influence in the society as drivers of exclusion.

LNOB: The Five-factor Framework

Derived from the commitment made in 2015 by Member States to the 2030 Agenda for Sustainable Development²¹⁶ "Leave no one behind" is a key UN programming principle grounded in the normative standards and human rights. Lao PDR has committed to and ratified a number of human rights treaties that address thematic issues (civil and political rights, torture, racial discrimination, etc.) or specific population

groups (children, women, persons with disabilities). This CCA identifies vulnerable groups in the country based on the secondary data sets, human rights reports and personal interviews with key stakeholders including civil society organisations representing perspectives of marginalised groups following the LNOB five-factor framework of the UNSDG:²¹⁷

²¹² UN, *Compilation on the Lao People's Democratic Republic: Report of the Office of the United Nations High Commissioner for Human Rights* (2020)

²¹³ World Bank, *Lao People's Democratic Republic Poverty Assessment 2020: Catching up and Falling Behind* (2020)

²¹⁴ Transparency International, *Corruption Perceptions Index 2020*; Transparency International, *Corruption in the education sector in Laos* (2019); Risk & Compliance Portal, *Laos Corruption Report* (2020)

²¹⁵ World Bank, *Lao PDR Systematic Country Diagnostic: Priorities for Ending Poverty and Boosting Shared Prosperity* (March 2017)

²¹⁶ UN General Assembly, *Transforming our world: The 2030 Agenda for Sustainable Development, Resolution Adopted (A/RES/70/1)*, (October 2015)

²¹⁷ UNSDG, *Leaving No One Behind: A UNSDG Operational Guide for UN Country Teams (Interim Draft)* (April 2019)



Figure 1: Five-factors of LNOB: Assessing the evidence of who is left behind and of what degree?

Within the framework, people may be left behind because:

1. They are **discriminated against** based on who they are, their identity or status, age, sex, ethnicity, language, religious beliefs, health status, migrant status, minority status, disability or other grounds. International human rights mechanisms provide evidence on groups that are discriminated against on these grounds.
2. They are **geographically isolated**. Lack of transport and internet, inability of the administrative machinery to reach far-flung areas often results in exclusion of people living in remote, often rural and mountainous, areas.
3. They are **vulnerable to shocks**. Some areas or people may face setbacks due to these shocks more than others. These shocks could be disasters, pandemics, social conflict, cross-border tensions, violence, or economic shocks.
4. They are **adversely impacted by governance** structures, laws, policies, institutions, budgets, taxes, and traditional practises limiting their ability to engage in decision-making. This includes possible limitations to democratic space, free media and/or freedom of expression.
5. They **belong to a given socio-economic status** facing multidimensional poverty, extreme poverty, or inequality.

As a general principle, people with overlapping and intersectional vulnerabilities are worse off compared with those vulnerable on one ground. Based on the above description, the following sections identify vulnerable groups along with the causes (root, underlying and immediate).

Ethnic Groups

Lao PDR is ethnically diverse. The country is inhabited by 50 recognised ethnic groups and multiple sub-groups within these. Lao-Tai is the largest group (62.4 percent) followed by Mon-Khmer (23.7 percent), Hmong-Mien (9.7 percent) and Sino-Tibetan (2.9 percent). The Government does not recognise and discourages the use of the term, “ethnic minorities”. It also does not classify any ethnic groups as “indigenous people”.

Multiple reports and studies confirm that compared with the Lao-Tai group, other ethnic groups are more likely to be poor,²¹⁸ most at risk of falling back into poverty, more food-insecure,^{xxx} malnourished, uneducated, exposed to land alienation, and displaced by projects. Their health indicators are also likely to be worse, with much higher maternal mortality, infant mortality and fertility rates, and much lower vaccination coverage.^{xxxi} They have poorer access to infrastructure and social services. Geographically, they are more likely to be living in the mountainous areas, and have large family size, while the Lao-Tai groups live in the lowlands along the Mekong with smaller family size.

The non Lao-Tai ethnic groups are more likely to be living in remote rural areas, exposed to disasters, and engaged in low-productivity and vulnerable self-employment, mostly in agriculture. Not speaking the Lao language limits capacity to engage with the Lao-speaking public administration. Non Lao-Tai children are more at risk of not having their births registered and being stunted^{xxxii} while girls are more likely to be married early with much higher adolescent birth rates.²¹⁹ The language barrier creates a disadvantage for their children in education. Although vast majority of the Lao migrants and the trafficking victims are from the lowlands of the country, the trafficked upland ethnic women are more vulnerable because they are more culturally and linguistically different to the Thai and, unlike Lao-speaking victims, cannot extricate themselves from exploitative situations.²²⁰

The gaps between the Lao-Tai and other ethnic groups appear to be widening. Poverty reduction among the Hmong people has been the slowest and they face highest food and nutrition insecurity of all the ethnic minorities.²²¹ As mentioned earlier, the ethnic Hmong-Mien that were *three* times poorer than Lao-Tai in 2012-2013, became *four* times poorer in 2018-2019.²²² This gap has also widened for all other ethnicities. It may not be the case that ethnicity *per se*, but the differences in material and human capital endowments, and economic opportunities, is responsible for ethnic differences. These could be addressed by appropriate policy interventions, noting that the overall outcome of the growth model and the impact of policies have so far been that the gaps between the Lao-Tai group and all the other ethnic groups have widened.

Land concessions policy has led to disproportionate impact in terms of displacement on the uplands largely inhabited by non-Lao-Tai ethnic groups. Land allocated for private commercial purposes has exacerbated land alienation and reduced access by the rural populations to the natural and forest resources they have been customarily using for their livelihoods. This has enhanced food insecurity in uplands and among ethnic groups as well as aggravated the challenges faced by women. In comparison, lowland farming areas cultivated by Lao-Tai have been less vulnerable to displacement.²²³

Whilst some other ethnic languages were also used, COVID-19 risk awareness and preventative instructions were predominantly in the Lao language. COVID-19 is likely to increase the poverty rate to 21.5 percent (in 2020) which was estimated would have been around 17 percent in the absence of COVID-19. While the non-farm urban sectors are the ones with highest job losses, the impact will also be felt by the remote, ethnic groups engaged in agriculture.²²⁴

²¹⁸ World Bank, *Lao Poverty Policy Brief: Why are Ethnic Minorities Poor?* (December 2017)

²¹⁹ LSB; MoH; MoES; UNFPA; UNICEF, *LSIS II- Survey Findings Report* (2017)

²²⁰ Lao Women's Union (LWU), *Lao PDR Gender Profile* (June 2018)

²²¹ World Bank, *Lao People's Democratic Republic Poverty Assessment 2020: Catching up and Falling Behind* (2020)

²²² LSB; World Bank, *Poverty Profile in Lao PDR: Poverty Report for the Lao Expenditure and Consumption Survey 2018-2019* (2020)

²²³ Hirsch, Philip; Scurrah, Natalia, *Mekong River Land Governance: The Political Economy of Land Governance in Lao PDR* (November 2015)

²²⁴ LSB; World Bank, *Poverty Profile in Lao PDR: Poverty Report for the Lao Expenditure and Consumption Survey 2018-2019* (2020)

Women

Women with intersecting deprivations are more likely to be excluded or at risk of being excluded. Women from the smaller ethnic groups, living in remote areas, with disabilities, without education are more excluded than other women. The gender differences *within* the same ethnic group for example are less pronounced than *between* different ethnicities. For example, percentage of children out-of-school for Lao-Tai was 6.3 for male and 5.8 for female; for Mon-Khmer 16.3 male and 18.2 female and for Hmong-Mien 11.7 and 12.4. Lao PDR has been successful in drastically reducing the maternal mortality ratio from 405 in 2005 to 185 in 2017.²²⁵ However, this is still the highest among the ASEAN countries.²²⁶ Adolescent birth rates are high at 83 per 1,000 women aged 15-19 years with wide variations across regions, ethnicities, and educational levels.

Gender differences in educational attainments are narrowing at the primary level. However, these are still significant at secondary school and tertiary education levels due to high drop-out rate of girls for multiple reasons including early marriage, distance to school, norms of remaining home to help mothers. Girls are therefore less likely to develop necessary skills to successfully compete in the labour market.

Women's labour force participation rate in 2017 was 36.5 percent compared with 45.2 for men (15 years+ cohort).^{xxxiii} Within the country, the lowest rate (13.7 percent) was reported in Savannakhet, and the highest in Xayabury (63.6). Women generally tend to occupy the lower rungs of the labour market. Their employment is informal (comprising own-account workers and contributing family workers). As many as 91.3 percent of women in rural areas and 70.7 in urban areas were informally employed in 2017.²²⁷ Their employment is more likely to be casual, insecure, precarious, underpaid, and without any social protection. About 85 percent of the population is not covered by any social protection scheme, disproportionately women. Women (only paid employees) earned 20 percent less than their male counterparts.²²⁸ However, the maternal, neonatal and

child health care has been free of charge since 2014 for pregnant women and children under 5 years.

Women's share in the National Assembly in 2015 was 27.5 percent, well above the global average of 24.5 percent.²²⁹ However, only about 10 percent of the Politburo members are women. In the leadership and managerial positions, their share in 2012 was only 5 percent.²³⁰ None of the 17 provincial governors are female. Positions of village chiefs are also predominantly male, with only three percent of positions held by women.

Women in rural areas, especially those tilling land, are a relatively more disadvantaged group in multiple ways. Common property resources (especially communal land) provide a significant proportion of household food security in rural areas, especially to the poorest. Thanks to growing commercialisation, women are tending to spend more time collecting non-timber forest produce and providing food and fuel security.^{xxxiv} The depletion and degradation of common property resources caused by climate-change, land-use restrictions, and unsustainable harvesting practices along with impact of "slash and burn" has worsened the situation for rural women. With men often migrating in search of employment, the burden on women to till the land and attend to household chores goes up even further.²³¹ As per law, women enjoy equal access to agricultural and forest land. But customary practices tend to override this, and women's access is often determined by specific customs of the various ethnic groups. Women in non-Lao Tai ethnic groups are not aware of their land rights and do not necessarily know the Lao language.

The country has made progress in combating violence against women and has enacted many laws on gender equality. Lao PDR enacted the Law on Preventing and Combating Violence against Women and Children in 2015 and set up mechanisms^{xxxv} to address violence against women. The five-year National Action Plan on Preventing and Eliminating Violence Against Women for 2021-2026 is being drafted, as is the five-year National Action Plan on Gender Equality for 2021-2025. It advances gender

²²⁵ UNFPA, *State of World Population 2020* (2020)

²²⁶ UNICEF, *The Situation of Children and Women- Lao PDR Situation Analysis* (December 2019)

²²⁷ LSB, *Labour Force Survey* (2017)

²²⁸ *Ibid.*

²²⁹ Inter-Parliamentary Union, *Lao People's Democratic Republic*

²³⁰ LWU, *Lao PDR Gender Profile* (June 2018)

²³¹ FAO, *Country Gender Assessment on Agriculture in the Rural Sector* (2018)

equality by ensuring women and girls have greater access to health and reproductive health information and services, education, employment, women in leadership, and decision-making positions at all levels. The national guide for the Health Sector response to gender-based violence is currently being developed by the Ministry of Health and will be finalised in 2021.

Yet challenges remain and violence against women is prevalent in Lao PDR. Discriminatory gender stereotypes, fear of reprisal, societal norms and values with regard to roles and responsibilities of and expectations towards women and men in family and society, stigma, availability of quality and coordinated social, health, and justice services, as well as limited legal awareness and access to legal aid prevent women and girls from reporting domestic and GBV and sexual harassment.^{xxxvi} As a result, there is high prevalence of GBV against women, particularly domestic and sexual violence and rape. The persistent use of alternative dispute resolution mechanisms, especially in rural areas through village mediation units,^{xxxvii} do not always lead to gender-sensitive outcomes. Alternative mechanisms often tend to perpetuate societal stereotypes, further stigmatise women and attach primacy to family over women's rights. The stereotypes also perpetuate harmful practices like child marriage.^{xxxviii} There is also acceptance of GBV by the society, including by women themselves.^{xxxix} Meaningful engagement with men and boys is increasingly recognised as critical to advancing gender equality and equity. It is necessary not only for women's empowerment, but also to transform the social and gender norms that reinforce patriarchy and inequality and harm both women and men.

Lao PDR has made progress in combating trafficking.

It has enacted the Anti-Trafficking Law in 2016 and has set up monitoring mechanisms. It is also providing direct support to trafficked victims. As a result, the country was upgraded by the US State Department in their 2019 Trafficking in Persons report to Tier 2 Watch List.²³² But women and girls, especially in rural areas continue to face high risk of being trafficked for the purpose of sexual exploitation or forced labour. They are also sometimes trafficked through fraudulent marriage. Immediate causes of trafficking are poverty, absence of sufficient information and support in rural

areas, lack of mechanisms to monitor trafficking, and insufficient early identification mechanism and referral systems for the victims. Lao PDR is also a transit country for sex trafficking of Vietnamese and Chinese women. Traffickers tend to exploit Vietnamese, Chinese, and Lao women and children in sex trafficking in larger cities and in close proximity to national borders, casinos, and special economic zones—especially those with heavy foreign investment—reportedly to meet the demand of tourists and migrant workers.²³³

Lao PDR submitted its combined 8th and 9th Reports to the Committee on the Elimination of Discrimination against Women (CEDAW) November 2018.^{xl}

The CEDAW noted the legislative, administrative and policy measures Lao PDR has made since its previous reports in 2009. Visible progress has been made in terms of amendment to the constitution to specify equality before the law including on grounds of gender, enactment of laws particularly on anti-trafficking, preventing, and combating violence against women and children, criminalising marital rape, guaranteeing equality in the expenditure of the state budget, among others. The country also adopted the Third National Strategy for Gender Equality 2016-2025 and National Action Plan 2016-2020.

The National Commission on Advancement of Women, Mothers, and Children (NCAWMC) has been set up and is mandated to draft law and national policy for advancing gender equality and eliminating violence against women and children and ensuring that these laws and policies are implemented by relevant sectors. Lao Women's Union is a mass organisation, mandated to empower women and girls of all ethnic groups at all levels, and is responsible for the provision of essential social services and protection of survivors of violence. However, the implementation capacity and resources of the Commission and of other mechanisms like the National Assembly Women's Caucus and the Lao Women's Union are still limited.

COVID-19 has aggravated pre-existing gender inequalities.

Women's employment was disproportionately in the tourism, garment and hospitality industries which has seen sharp job losses during the pandemic, mostly affecting women. This will be further compounded by increased burden of

²³² US Department of State, 2020 Trafficking in Persons Report: Laos (2020)

²³³ US Department of State, 2020 Trafficking in Persons Report: Laos (2020)



unpaid domestic and care work, and a rise in domestic and gender-based violence and mental health issues. Lack of job opportunities in the country will likely also increase demand for migration. As most female migrant workers are unskilled and work as domestic workers there is a high likelihood of irregular migration among women. Containment measures and mobility restrictions will hamper access to healthcare including reproductive health. As a result, unintended pregnancies and maternal deaths are likely to go up.²³⁴ There are estimates that the maternal mortality ratio could go up by 30 percent.²³⁵

The root causes for gender inequality lie in social norms and stereotypes about women's role in society and gender-discriminatory family obligations. This is further aggravated by ethnicity, location, and

Children, Adolescents and Youth^{xli}

Lao PDR has a young population. With one-third below 15 years old and half of the population under 24 years. The current dependency ratios are favourable and will remain so for the coming decades (until 2045), when the population starts to age. It is therefore urgent that investment in children and young people is prioritised.

Lao PDR has made significant progress in protecting and promoting child rights. In its concluding observation, the Committee on the Rights of the Child welcomed the progress made by the country in strengthening legal and policy framework related to children's rights and noted the efforts the country was making to incorporate the provisions of the Convention into national laws. The country has also adopted the National Strategy for Mothers and Children (2016-2025) and the National Action Plan for Mothers and Children (2016-2020). At the Lao Generation 2030 Forum in 2019, the Government pledged support to develop human capital by achieving SDG1, reducing multi-dimensional deprivation, and making investments in children, adolescents, and young people a key priority in the 9th NSEDP.

However, children, adolescents and youth are among the vulnerable groups in Lao PDR, notably those with

educational levels. These contribute to women's low education, low participation in the labour force, early marriage, high informal employment, and domestic violence. The continued prevalence is not so much due to the lack of policy and legal framework to promote gender equality as limited implementation. In cases of domestic, intimate, and sexual violence, lack of shelters/safe accommodations, first line service, psychosocial and mental support, health care services and treatments, the gender-insensitivity of informal justice systems like local village committees and recourse to formal justice systems exacerbate challenges. Other immediate causes include lack of childcare facilities and opportunities to acquire skills, e.g., time-consuming family obligations which in turn holds women back and thereby keeps them in a disadvantaged position.

overlapping and intersecting deprivations. Location (rural/urban), ethnicity, poverty levels, mother's education levels, and family size are key drivers that make children particularly vulnerable to deprivation, exploitation, and violence. COVID-19 has exacerbated the pre-existing vulnerabilities of children and adolescents. As mentioned before, between 2012 and 2017, the Human Capital Index value for Lao PDR increased from 0.41 to 0.45, indicating that a child born today will achieve only 45 percent of her productive potential.²³⁶ Among children, adolescents and youth, the following are identified as the most vulnerable: victims of violence and trafficking, those with disabilities, living with HIV, drug- and alcohol-using youth, sex workers, school dropouts, those in conflict with the law, those exploited for labour, youth migrants, LGBTIQ youth, and children, adolescents and youth stigmatised for their ethnic identities.

Lao PDR has made considerable progress in reducing the under-five mortality rate from 146 per 1,000 births in 2001 to 46 in 2015 and infant mortality rates from 116 in 2001 to 40 in 2015. Yet this progress has been uneven. The under-five mortality among ethnic Sino-Tibetan is twice as high as the Lao-Tai group.

²³⁴ UN in Lao PDR, *UN Lao PDR Socio-Economic Response Framework to COVID-19* (September 2020)

²³⁵ Multi-Stakeholder Taskforce to Study the Impact of COVID-19 to support a Determination of the 9th NSEDP and SDG Localization in Lao PDR, *Investing in the Human Capital of Lao PDR* (September 2020)

²³⁶ Multi-Stakeholder Taskforce to Study the Impact of COVID-19 to support a Determination of the 9th NSEDP and SDG Localization in Lao PDR, *Investing in the Human Capital of Lao PDR* (September 2020)

Children born in the poorest quintile are nearly three times more likely to die than those born in richest quintile. Children born to mothers with little or no education twice as likely to die than those born to mothers with secondary education. Under-5 mortality in rural areas is twice as high as in urban areas. The rate in rural areas without roads was 62 per 1,000 births compared with 52 in rural areas with roads and rural areas as high as 136 compared with 45 in urban areas.²³⁷ There are also inter-ethnic differences in immunisation levels with 58.8 percent Lao-Tai children having received full immunisation compared with 27.4 percent Sino-Tibetan. Children from the richest quintile are twice more likely to have been fully immunised than those from the poorest quintile.²³⁸

Despite considerable progress, children in Lao PDR continue to experience significant levels of deprivation. Only 12 percent of children experience no deprivation at all, while about 70 percent of children under 18 years of age suffer at least two deprivations in the areas of nutrition, health, education, early childhood development, child protection, water, sanitation, housing, and information. Fifty percent of children are suffering from three or more deprivations at the same time. In the age group 11-17, children considered to be multi-dimensionally poor are found among certain groups like child labourers, children living in families with three or more children, children in southern provinces, and children in certain ethnic households (Sino-Tibetan, Hmong-Mien, and Mon-Khmer).²³⁹ More children with disabilities are likely to be living in families with poverty. They are normally kept away from public view and participation, due to stigma and shame, particularly children with intellectual disabilities.

Stunting among children declined from 48 percent in 2006 to 33 percent in 2017, although it remains the highest in the ASEAN region. The figure further hides the fact that stunting goes up to 50 percent among ethnic Hmong-Mien children and those in Sekong province and nearly 45 percent for children of mothers with little or no education. This is an intergenerational issue and linked to women's own nutritional levels, poverty, educational status, and access to healthcare services. Stunting among children in rural areas

without roads was twice as high as that in urban areas. There are large differences between provinces. For example, compared to Vientiane Capital's stunting rate of 13.8 percent, the rate was 54 in Phongsaly.

Child labour is common, with similar explanatory factors including poverty, ethnicity, and lack of education. It is estimated that 42 percent of girls and 43 percent of boys (aged 5-17 years) are engaged in child labour, half of them under hazardous conditions.^{xiii} However, the First (and so far, the only) Child Labour Survey 2010 reports that about 15 percent of children are engaged in some economic activity and 10 percent of children can be considered as child labourers, half of them engaged in hazardous work. Most of the child labourers are from rural areas with roads.²⁴⁰

Increasing major investment projects, expanding tourism industry and open borders are often associated with higher and newer risks to children and adolescents. The Special Rapporteur on Sale of Children reported (November 2017) on the pattern of sale, trafficking, and exploitation of children in Lao PDR. Much of the trafficking takes place across the Thai border, mostly of girls, for sexual exploitation and forced labour and across China through fraudulent marriages. Internal trafficking of boys to work on mining projects was also reported. There is also sexual exploitation of adolescent girls by locals and foreigners in the karaoke bars. The situation regarding trafficking has improved with Government taking many legislative and policy actions and providing direct support to the victims. As a result, the US Department of State has moved up the country ranking from Tier-3 in 2018 to Tier Two Watch List for trafficking in 2019.²⁴¹ Online child sexual abuse and exploitation by predators, who use technology and social media, is a growing concern. Building capacity of law enforcement agencies in digital evidence collection and digital forensics will be critical to combat this crime. Support would also be required for Cyber Units to have the tools and methodologies to prioritise cases where a child is in immediate danger.

Despite better protection of child rights, violence against children continues to be seen in Lao PDR. One

²³⁷ LSB; MoH; MoES; UNFPA; UNICEF, *LSIS II- Survey Findings Report* (2017)

²³⁸ Ibid.

²³⁹ UNICEF, *The Situation of Children and Women- Lao PDR Situation Analysis* (December 2019)

²⁴⁰ LSB; MoLSW; ILO, *Report on the National Child Labour Survey of Lao PDR* (January 2013)

²⁴¹ US Department of State, *2020 Trafficking in Persons Report: Laos* (2020)

in six children experienced at least one form of physical violence before the age of 18.²⁴² More than a quarter of children witnessed physical violence at home and almost a third witnessed physical violence in the community. Roughly a quarter of children in Lao PDR experienced emotional violence at home and 1 in 10 experienced some form of sexual abuse as a child. Only 15 percent of children ever received the support they need to recover from their experiences of sexual abuse. These results have significant implications for the design and implementation of Lao PDR's prevention and response programmes to address violence against children.

Bullying at school affects around 13 percent of secondary school children in Lao PDR, with boys being bullied more often (15.2 percent) compared to girls (11.3 percent). The bullying largely takes the form of physical violence against the victim (36.3 percent). Instances of sexual abuse (5.9 percent) and psychological/social exclusion of the child (3.5 percent) are also reported. The drivers of bullying are, in order of predominance: physical appearance of the child (14.1 percent), race, nationality or skin colour of the child (9.3 percent), and religion (1.9 percent). 10.2 percent of children were involved in physical fights at school, while 19.5 percent (23.1 percent boys, 16.2 percent girls) reported being subjected to physical attacks.²⁴³

Lao PDR had the highest number of married children in East Asia and the Pacific in 2016. Many parents force their daughters (14-15 years) into marriage in exchange for money.²⁴⁴ Many women and girls sold as brides to foreigners are subjected to sex trafficking.²⁴⁵ Despite a legislation prohibiting child marriages, about a third of women were married before the age of 18.²⁴⁶ They are more likely to drop out of school for this reason.

Lao PDR has a high number of adolescent births at 83 per 1,000 women aged 15-19 years with wide variations across ethnicities, regions, and educational levels. The adolescent birth rates range between 54 per 1,000 among Lao-Tai to 192 among Hmong-Mien. In rural areas, the rate was as high as 101 compared with 42 in urban areas. Among the richest quintiles the adolescent birth rate was 20 but among the poorest 156. Between the regions,

Vientiane Capital recorded a rate of 26 compared with 138 in Xaysomboune. Education level is also a major driver of the adolescent birth rate. Among adolescents with higher education the birth rate was 3 per 1,000 but goes up to as high as 176 for adolescents with no education. Adolescent pregnancy has significant impact on neonatal and maternal mortality as well as child stunting. Access to Adolescent Friendly Services care including contraceptives can also impact positively to reduce this rate. National guidelines for Adolescent and Youth Friendly Services were developed by the Ministry of Health but have only been implemented in four provinces. This service needs to be expanded across the country.

Nearly one third of all children under the age of 5 do not have their births registered (2011-2012).²⁴⁷ This not only hampers access to education, training, employment, and basic services but also takes away the protection a legal identification provides against being forced into child labour or child marriages. For instance, it becomes easier to hide the real age of the girl being given in marriage. Again, there are variations between groups. In rural areas without roads, only 57.9 percent of children under 5 had their births registered compared with 88.9 percent in urban areas. More Lao-Tai children had their births registered (80.1 percent) than Mon-Khmer (59.3 percent) and more from the richest quintile (94.4 percent) than the poorest (54.8 percent).

There are various reasons for this low birth registration rates. According to the current model, official birth registration and the issuance of a certificate is done at the District Office of Home Affairs, which is generally not equipped with enough resources and capacitated staff. Birth registration is officially free of charge, however there are some related costs borne by households, such as the transportation cost, loss of income on the traveling day and occasional printing cost for the certificate. In addition, since a birth certificate is not a precondition for accessing basic social services, such as health and education, many parents do not understand the importance for birth registration and how it can protect child rights. In practice, parents often understand 'birth registration' as registration in the 'family book' and not necessarily possession of a birth certificate. The family book

²⁴² LSB; UNICEF, *Violence Against Children Survey in Lao PDR* (2019)
²⁴³ UNESCO, *Behind the numbers: Ending school violence and bullying* (2019)
²⁴⁴ LWU, *Lao PDR Gender Profile* (June 2018)
²⁴⁵ Ibid.

²⁴⁶ LSB; MoH; MoES; UNFPA; UNICEF, *LSIS II- Survey Findings Report* (2017)
²⁴⁷ Government of Lao PDR; UNICEF, *Country Programme of Cooperation 2017-2021: Mid-term Review Report* (December 2020)

system was created for security reasons and has been used as a traditional proof of legal identity, managed by the Ministry of Public Security (MoPS). This unique dual registration system of MoPS' family book and the Ministry of Home Affairs (MoHA) birth certificate cause double work for families and can lead to confusion and demotivation among parents and caregivers, especially those in remote areas with low education.

Dropout rates increase as one goes up the educational ladder from primary to secondary education. Dropout in grade 1 also tends to be higher across all primary grades largely due to lack of early childhood education experience. In School Year 2019-20, Grade 1 dropout is 5.3 percent for girls, 7.3 for boys; average primary level (grades 1-6) dropout rate is 3.7 percent for girls and 4.9 percent for boys. More girls (10.3 percent) than boys (9.7 percent) drop out, as one moves up to the lower secondary education level,²⁴⁸ more children from non-Lao-Tai ethnic groups drop out. Wealth status is also a big determinant of dropout rate. At the upper secondary level, 76 out of 100 children drop out from the poorest quintile compared with 13 from the richest quintile. In Bokeo province and in Savannakhet, early marriage and pregnancy were not cited as major reasons of school dropout among adolescent girls. Rather, other reasons were identified including financial costs, poverty, distance to school and dislike of school.²⁴⁹ Prevalence of early marriage was also lower than what is reported in the latest Lao PDR Social Indicator Survey-II published in June 2018 with survey undertaken in 2017.²⁵⁰

Early childhood education, which is important for the development of children in later years in life, covers 32.1 percent of children in the 36-59 months age group. This too reveals sharp differences between rural (22.7 percent) and urban (56.8 percent) areas, richest (69.0 percent) and poorest (12.6 percent) quintiles, and ethnicities (Lao-Tai 42 percent and Hmong-Mien 19.8 percent).²⁵¹

The COVID-19 pandemic is affecting children disproportionately. They are being affected by the spread of the virus but also by the inequalities that the pandemic is exacerbating. Children from poorest families who are least equipped to protect themselves in times of global crisis are suffering this double burden with life-long deleterious impact. With the

return of over 100,000 migrants, remittances will be adversely affected with a negative impact on the incomes of the receiving households. This will hamper efforts to reduce prevalence of malnutrition and impact on psychosocial and mental health of children and adolescents. They might also be at enhanced risk of violence, abuse and neglect while spending more time at home with potential perpetrators and increased socio-economic frustrations – girls more so as many of them will likely be at risk of early marriage and other harmful practices. More children may be pushed into child labour due to aggravated poverty levels and disruption in studies. Children with disabilities, from marginalised ethnic groups, homeless children, migrants, and children from rural and disaster-prone areas are more at risk of being pushed into child labour. Girls are much more vulnerable with increased domestic chores and care responsibilities.

The youth cohort not in education, employment, or training (NEET) is particularly vulnerable. Nearly 42 percent of youth (15-24) were NEET in 2017. Women were more likely to be NEET (45 percent) than men (39 percent). The NEET rates for youth with disabilities are more likely to be higher though disaggregated data is limited. Youth unemployment is also much higher compared with the national average as noted earlier. Prolonged periods of unemployment can be a major exclusion and often a trigger for social unrest. With the labour force projected to grow from 4.1 million in 2015 to 5.5 million in 2030, development policies and labour markets will be challenged to match the demographic trends. Without employment opportunities at home, many young people migrate to other countries in search of a living.

Youth development in Lao PDR is amongst the lowest in the ASEAN region. The ASEAN Youth Development Index 2015 ranks Lao PDR the lowest among the ASEAN nations.^{xliiii} Young people often have very limited roles in decision-making, in part driven by the hierarchical social structure and cultural factors such as respect for age and authority. The first-ever National Youth and Adolescent Policy of Lao PDR, initiated by the Lao People's Revolutionary Youth Union (LYU), is under

²⁴⁸ MoES, *Education Management Information System* (2019-2020)

²⁴⁹ MCNV; Luxembourg Aid and Development; UNFPA, *Adolescent Girls' Situation Analysis in Five Districts of Savannakhet Province in Lao PDR* (2019); Plan International; MCNV; Luxembourg Aid and Development; UNFPA, *Adolescent Girls' Situation Analysis in Three Districts of Bokeo Province in Lao PDR* (2018)

²⁵⁰ Plan International; MCNV; Luxembourg Aid and Development; UNFPA, *Adolescent Girls' Situation Analysis in Three Districts of Bokeo Province in Lao PDR* (2018)- Against 23.5 % girls (15-19) already married as reported in LSIS-II, the survey in Bokeo reports 5 % girls in the relevant age group that were already married, 2017

²⁵¹ LSB; MoH; MoES; UNFPA; UNICEF, *LSIS II- Survey Findings Report* (2017)

approval and expected to address youth issues in a more comprehensive manner.

Lao PDR submitted its combined third to sixth periodic reports at the meetings of the Committee on the Rights of the Child (CRC).²⁵² These meetings were held on 20-21 September 2018 and reviewed the situation of child rights in Lao PDR. While welcoming the progress made by the country, notably in enacting legislation and setting up mechanisms to protect and promote child rights, the Committee expressed concerns in a number of areas including non-adoption by the country of a comprehensive national strategy and policy on all the rights in the CRC, including a comprehensive child protection system. The Committee also raised the issue of birth registration of children under 5 years and that out of 75 percent that are registered only one-third have birth certificates. Effective enforcement of the minimum age of marriage (18 years) and adoption of guidelines on children without parental care were other areas where the Committee made recommendations. Noting the strong correlation between poverty, ethnicity, and disability in the country, and the fact that children with disabilities are still stigmatised in society which may impede their access to education, health care and

Migrants

Lao PDR is a large source country of workers abroad, mainly to Thailand. Poverty, and social norms and expectations toward men and women and boys and girls in the families coupled with lack of employment opportunities in the country of origin, and the pull of better life overseas, drive demand for migration. Currently there are around 183,460 Lao workers in Thailand,²⁵³ although the numbers registered by the host country data are much smaller suggesting that a large number of migrants travel informally from Lao PDR to Thailand each year.^{xliv} Some other sources report that anywhere between 32,792 and 110,854 irregular Lao PDR migrants work in Thailand.²⁵⁴

Irregular migration in Southeast Asia is a major concern not only from the crime control perspective, but also for the rights of the migrants. Lao PDR has

future employment, Lao PDR was urged to allocate adequate resources to implement the National Plan of Action on Persons with Disabilities. Further, while the minimum age for employment is 14 years, light work is allowed from the age of 12 without defining it. The Committee recommended that the country should align the definition of child labour with international standards. The Committee welcomed the 2014 Law on Juvenile Criminal Procedure, which raised the minimum age of criminal liability to 15 years, among others.

Vulnerability of children, adolescents and youth is associated with ethnicity, poverty, geographical location, and mother's education. These are further reinforced by social norms and stigma preventing families from seeking help, and societal acceptance of violence against children. Legislation that does not conform to the international norms and standards, weak enforcement of laws, lack of disaggregated data, limited awareness of rights, and gaps in implementation capacity limit institutional structures' capacity to address the implications of this. The immediate causes include limited access to basic social services, lack of care and professional socio-psychological support, especially to mitigate the impact of COVID-19.

signed the Global Compact for Migration but has not ratified the International Convention on the Protection of the Rights of All Migrants Workers and Members of their Families. It also did not have laws to protect the migrant workers until the recent passage of a Decree on Export of Lao Workers Working Abroad (Decree 245) in May 2020. It aims at strengthening management of recruitment services and safe labour migration.²⁵⁵ When workers have limited access to foreign labour markets through formal channels, irregular channels that are cheaper and less bureaucratic become more attractive.²⁵⁶ Handlers of irregular migration also ensure smoother crossing of

²⁵² UN, *Concluding Observations on the Combined Third to Sixth Periodic Reports of Lao PDR on the Convention on the Rights of the Child* (November 2018)

²⁵³ Australian Aid; ILO, *Triangle in ASEAN Quarterly Briefing Note: Lao PDR*, (July-September 2020)

²⁵⁴ UNODC, *Transnational Organised Crime in Southeast Asia: Evolution, Growth and Impact* (2019)

²⁵⁵ IOM, *Migration and Development in the Context of the 9th NSEDP in Lao PDR*

²⁵⁶ UNODC, *Transnational Organised Crime in Southeast Asia: Evolution, Growth and Impact* (2019)

borders and sometimes provide employment and accommodation in destination countries.²⁵⁷

However, there are also substantial dangers associated with irregular migration. Irregular migrants often face dangerous conditions, work in precarious jobs, are vulnerable to trafficking, physical or sexual abuse, and exploitation by employers overseas. These migrants also do not have access in host countries to legal protection or access to social services and often bear a huge financial burden as many borrow from relatives, friends, or moneylenders to finance their

Internally Displaced Persons

Lao PDR is prone to disasters and resultant displacements of population. Six major floods from 2008-2016 have displaced more than 110,811 people, making the country one of the most flood-prone countries in Southeast Asia.²⁵⁹ Disasters in 2018 including flooding and dam collapse affected more than 600,000 Lao people across 2,300 villages.²⁶⁰ As a result of the dam collapse, over 6,000 individuals became internally displaced and subsequently housed in temporary shelters, where minimal living conditions were provided. More than 4,400 continued to live in temporary shelter in 2019.²⁶¹ With over 40 constructed dams and 50 more due for completion in 2020, there is a need to prepare crisis response plans to ensure all populations have effective access to support in the event of disasters. Further, as the susceptibility of the country to climate change and extreme weather events grows, the absence of a strategy that considers the potential nexus between migration (even displacement) and environmental degradation is a matter of concern.²⁶² The National

Persons at Risk of Statelessness

Lao PDR has many people without documentation to prove their nationality. One third of children under five do not have a birth registration and only one in ten mothers know how to register births with authorities. These undocumented children, many from upland ethnic groups, will face difficulties in accessing social

migration. Irregular migration is typically associated with corruption at various levels and undermines border management. Women migrants are particularly at higher risk due to their lower levels of education and their concentration in low-paid low-skilled occupations such as domestic work. The United Nations Office on Drugs and Crime (UNODC) estimates that between 18,000 and 43,000 Lao PDR nationals are detected each year attempting to enter Thailand irregularly.²⁵⁸ Lao PDR is also an important transit country for the irregular migrants from neighbouring countries.

Climate Change Vulnerability Assessment for Disaster Risk Management in Lao PDR is underway, and preliminary results already inform possible future internal displacement. Data shows that human settlements are very vulnerable, with almost 46 percent of villages exposed to at least one disaster related to climate change in 2019.²⁶³

Displacement is also taking place as a result of large infrastructure projects.^{xiv} Projects like hydropower, railways, and mining are displacing population due to land concessions policy as well as deforestation to make land available to foreign investors for these projects. Minimal or no consultation, inadequate compensation, and absence of legal recourse together with worsened situation after relocation have been noted earlier. The poor and the marginalised are among those most often negatively affected by development projects and those with customary land rights but without legal titles are the most vulnerable.

services or proving their legitimacy if something happens to their families, such as during a disaster.²⁶⁴ There are gaps in the nationality laws which are discriminatory. The risk of some communities living at the Lao-Viet Nam border becoming stateless is high.

²⁵⁷ Ibid.

²⁵⁸ Ibid.

²⁵⁹ World Bank, *Climate Change Knowledge Portal*

²⁶⁰ ADPC; UNDRR, *Disaster Risk Reduction in Lao PDR: Status Report* (July 2019)

ADPC; UNDRR, *Disaster Risk Reduction in Lao PDR: Status Report* (July 2019)

²⁶¹ Manushya, *Third Universal Periodic Review Cycle: Overview of Human Rights Situation in Lao PDR: Legal Framework, Challenges, Case Studies and Community-led UPR Recommendations*, (2019)

²⁶² IOM, *Migration and Development in the Context of the 9th NSEDP in Lao PDR*

²⁶³ UN-Habitat, *National Climate Change Vulnerability Assessment for Disaster Risk Management in Lao PDR: Preliminary Results* (2020)

²⁶⁴ ADPC; UNDRR, *Disaster Risk Reduction in Lao PDR: Status Report* (July 2019)

Lao PDR is working with Viet Nam to address undocumented communities to confirm citizenship.²⁶⁵

The country has taken many steps to improve birth registration. Yet, there is often still a lack of awareness about its importance. The country provides fee waivers for birth registration. Although the country has adopted a strategy on Civil Registry and Vital Statistics 2016-2025, much more needs to be done to adopt mobile birth registration, especially in remote areas. The communities must be

LGBTIQ

Lao PDR is relatively tolerant in terms of accepting persons of non-majority sexual orientation. In Lao PDR, homosexuality is not prohibited by law, however civil partnership is not legally allowed and there is no law that specifically prohibits discrimination on grounds of sexual orientation or gender identity. Though the laws in Lao PDR do not make same-sex relationships or activities unlawful, social attitudes influence the extent to which LGBTIQ people feel integrated with the society. A number of public events in the past have led to greater recognition and acceptance of LGBTIQ by society and the authorities. A dialogue with civil society groups representing the interests of LGBTIQ persons informed that there are no restrictions on LGBTIQ groups to organise themselves and organise events.^{xlvi} They face no systematic persecution by law enforcement agencies. The Government recognises them in the Strategic Plan on HIV/AIDS Prevention (Ministry of Health), which is reflective of greater openness to discuss the needs of this population group.^{xlvii} However, there are still laws that discriminate against LGBTIQ persons by failing to prohibit discrimination in key areas such as education, employment and health based sexual orientation and gender identity. One such example is the Civil Code which prohibits same sex marriages, and does not provide for any comparable civil registration, in order

incentivised, including those hard-to-reach, to register. Enhanced utilisation of ICT and digitalisation for universal birth registration is under way as Lao PDR is developing civil registration management information system to enhance accuracy of civil registration statistics, among others. The country also amended the Civil Registration Law to improve registration of children born in Lao PDR. The country has been taking steps to identify and register undocumented persons and those of undetermined nationality with a view to finding solutions for them.

for same sex couples to avail of entitlements and protections to ensure equality under law as with mixed-sex couples.²⁶⁶

Within the LGBTIQ group, the transgender population is a more critical sub-group. Stigma and discrimination are more prominent in this group.²⁶⁷ Their participation in the Government is non-existent and integration within the society elusive. They also face problems in employment. Though some larger employers like chain hotels are more open to employing transgender people, state-owned enterprises generally do not.²⁶⁸ In response to 3rd cycle UPR recommendations, the Lao PDR Government stated that the laws do not recognise any other gender identity except male and female and declined to accept recommendations to expand the list of accepted gender identities.²⁶⁹

COVID-19 has impacted the LGBTIQ, notably those who returned from working abroad but also those in the country. During the pandemic, they faced challenges in accessing health services such as hormone therapy, pre-exposure prophylaxis, as well access to Antiretroviral drugs for those living with HIV/AIDS.²⁷⁰ They also faced mental health issues, compounded by stigma and discrimination especially in rural areas.

²⁶⁵ UNHCR, *UNHCR welcomes steps by Viet Nam to tackle statelessness* (press release, December 2018)

²⁶⁶ Lao PDR, Article 151, Civil Code, No 55/NA, enacted 2020, (6 December 2018)

²⁶⁷ US State Department, *Laos 2017 Human Rights Report* (2017)

²⁶⁸ Proud to be Us Laos, personal communication

²⁶⁹ Government of Lao PDR, *Views on conclusions and/or recommendations, voluntary commitments and replies presented by the State under review, Human Rights Council, 45th Session* (September 2020)

²⁷⁰ Proud to be Us Laos, personal communication; UN in Lao PDR, *UN Lao PDR Socio-Economic Response Framework to COVID-19* (September 2020)

Persons with Disabilities

A predominantly charity and medical approach to disability assessment has led to an underestimation of the number of people living with a disability and inadequate policy interventions. Rather than a more holistic, human rights-based approach that also considers psychosocial aspects of disability, the medical approach fails to distinguish between disease and impairment. The rights of persons with disabilities to live independently and be mainstreamed in the community, and the right of children with disabilities to live with the family and study in mainstream schools, are often not protected.

The 2015 Census estimates that there are 160,881 persons with disabilities, split evenly between men and women. At this level, 2.8 percent of the population lived with disabilities of varying degrees. This is much lower than 14.2 percent estimated by the WHO in 2014. It appears that the national census underestimates the number of persons with disabilities keeping in view other factors such as levels of nutrition, stunting, poverty, disability due to UXO, road accidents and NCDs and non-enumeration of disability among 0-5 years. Many of the persons with disabilities are victims of UXO. Very little comparable information is available about the socio-economic characteristics of the persons with disabilities, severity of disability and their living conditions. For example, it is not known how many among young persons with disabilities are NEET, or their labour force participation rate.

Lao PDR has ratified the Convention on the Rights of the Persons with Disabilities (CRPD) and enacted the 2019 Law on the Rights of Persons with Disabilities. However, the Law has not been widely disseminated and currently faces gaps in alignment with CRPD. The national initial report to the Committee on the Rights of Persons with Disabilities was submitted in 2016. The review which had been scheduled for March 2020, was postponed due to COVID-19. The country has a draft Plan of Action for Persons with Disabilities (2021-2025) and had set up (in 1995) the National Committee for Persons with Disabilities and the Elderly Persons for disseminating information and creating awareness about the rights of the persons with disabilities. The

Constitution and current legislation do not specifically prohibit discrimination on the basis of disability.

Despite legislation and institutional mechanisms in place, implementation is challenged and persons with disabilities continue to face discrimination. Barriers exist in accessing health, education, employment and public buildings and transport. Skills and vocational training are not designed keeping their special needs in mind which excludes them from the labour market.^{xlviii} They are not represented in the National Assembly, local administration, and other elected bodies. There are no specific social protections measures in place for persons with disabilities.^{xlix} Social stigma and negative stereotypes associated with disability, especially mental disability, results in the tendency of families to hide them from the authorities. Most buildings and public transport are not accessible.

In the absence of early identification and a referral system for children with disabilities and having the appropriate expertise available to support children who have autism, dyslexia and speech problems, children can suffer life-long impairment. Such a system could also improve data on children with disabilities. As of now, the Ministry of Education and Sports does not collect data on children with disabilities in schools due to lack of capacity in identifying children with disabilities and a lack of practical knowledge among teachers about supporting children with disabilities in mainstream schooling as well as the broader principles of inclusive education. Children with autism and intellectual disabilities are often not accepted in the mainstream educational system, and in cases where they are, they generally are only permitted in the lower grades. However, some initial progress is now being made by the Association for Autism, who trained teachers on how to support students with autism.²⁷¹

Women and girls with disabilities experience violence at disproportionately higher rates and in unique forms due to discrimination and stigma based on both gender and disability. Women with disabilities are at least two to three times more likely than other women to experience violence, including by family, intimate

²⁷¹ NGO Humanity and Inclusion, personal communication.

partners, caregivers, and institutional facilities.²⁷² A similar pattern is observed in Lao PDR, however, data on people with disabilities and their experiences with violence is very limited. The discriminatory attitudes towards reproductive rights of women with disabilities prevents them from seeking healthcare. This forces them to live in exclusion, poverty and exposure to violence and mistreatment. There are very few initiatives to address discrimination, gender, and disability in a cross-cutting manner. Persons (including women) with disabilities from rural areas, non Lao-Tai ethnic and smaller religious groups, face intersecting discrimination and vulnerabilities.

The role of civil society in addressing the challenges faced by persons with disabilities has increased. The Government closely consults with the organisations representing the interests of the persons with disabilities for formulation of laws and their implementation. Umbrella organisations, like the Disabled People's Organisation, are invited to Government consultations and meetings. This is a positive development and offers civic space to bring

Persons Living with HIV

It is estimated that in 2019 there were 13,000 persons (of which 5,500 women) living with HIV (PLHIV) in Lao PDR.²⁷⁵ Of these, 7,300, or 56 percent, were covered by antiretroviral therapy (ART). There is a declining trend in new infections - from 1,100 in 2010 to 780 in 2019. AIDS related deaths were less than 500. Of HIV-positive pregnant women, 41 percent received WHO-recommended regimen for prevention of parent-to-child transmission. Among the key population, 38 percent of female sex workers and 10 percent of men who have sex with men (MSM) were tested.¹ The mode of transmission is largely heterosexual (88 percent) followed by "others" (7 percent) and mother-to-child (5 percent). The country does not criminalise same-sex sexual activities but criminalises drug use, sex work, and HIV transmission, or exposure. The stigma index, percent of PLHIV respondents who avoided going to local clinic when needed because of HIV status (in 2012), was 36 percent. The age of consent for young

about change in the lives of persons with disabilities and an opportunity to operationalise the CRPD in letter and spirit.

COVID-19 has had a serious impact on persons with disabilities. Limited ability to access healthcare services was reduced by travel restrictions. During the lockdown, the violence and discrimination against persons with disabilities worsened. Those relying on others to give them food, help with personal hygiene, and for provision of clothes were particularly affected by containment measures such as social distancing and self-isolation which created new barriers for them. The situation of women and girls with disabilities described above was further exacerbated during the pandemic.²⁷³ A rapid needs assessment shows that persons with disabilities faced interruption of caregivers' services, food insecurity and loss of livelihoods as well as significant barriers in accessing information, protective equipment and disability-specific hygiene material, assistive devices, access to health and rehabilitative services, and social support.²⁷⁴

people to access HIV testing and related services is 14 years in Lao PDR.

Stigma and discrimination, particularly in the healthcare settings, is a matter of concern and major factor behind PLHIV not accessing early services. This stigma and discrimination at health care settings may manifest as segregation of PLHIV from other patients in health facilities, denying them access to health care services or medical insurance because of their HIV status, reduced standard of care for PLHIV, HIV testing or disclosure of status without consent, negative attitudes, and degrading practices by health care workers.²⁷⁶

PLHIV not covered by antiretroviral therapy (ART) (46 percent) have been at a higher risk even before the COVID-19 outbreak. Their risk of developing a severe or even deadly COVID-19 infection has gone up due to the pandemic. Even those with access to ART might face disruptions to routine care and drug delivery due

²⁷² UN General Assembly, *Report of the Special Rapporteur on Violence Against Women, its causes and consequences* (A/67/227, 2012)

²⁷³ UN in Lao PDR, *UN Lao PDR Socio-Economic Response Framework to COVID-19* (September 2020); Discussions with civil society organizations

²⁷⁴ Humanity and Inclusion, *Rapid Needs Assessment- Views from persons with disabilities, 2020*

²⁷⁵ UNAIDS; UNICEF; WHO; ADB, *Aids Data Hub*

²⁷⁶ USAID; PEPFA; RTI International; Chiang Mai University; CHAS, *A Study on Measuring HIV-Related Stigma and Discrimination in Healthcare Settings in Lao PDR* (March 2017)

to the health services being diverted to fighting the pandemic.

The country remains vulnerable to HIV due to the decline of knowledge on HIV/AIDS among young people, increasing HIV prevalence among key

Older Persons

As per the 2015 population census, the share of older persons (65+ years) in total population was 4.2 percent. This is expected to grow by 9 percent from 258,000 in 2015 to 281,000 older people by 2045 as life expectancy at birth increases by 13 years between the periods 1990–1995 and 2015–2020 and is projected to increase by an additional 6.5 years between the periods 2015–2020 and 2045–2050.²⁷⁷ Despite this, the dependency ratio will decline from 61 percent to 47 percent due to decline in population under 15 years. High and rising migration of younger persons from rural areas may worsen the situation of older persons in the absence of social protection. While the family members and community function as a safety net, there is no state-funded coherent and multifaceted response to the problems faced by older persons.

There is no systematic data collection disaggregated by age to fully understand the issues faced by older persons. In 2014, data collection efforts by the National Commission for the Advancement of Women

Population in Unplanned Settlements and Camps

Large populations live in unplanned settlements and camps. They are engaged in informal, low-paid, physical labour and face a vulnerable living environment.²⁸⁰ Although they were vulnerable prior to the outbreak of COVID-19, the pandemic has exacerbated risks because of the dense and often unsanitary living environment characterised by inadequate water, sanitation, and hygiene conditions, and access to health services. It is estimated that about 35 percent of the total employment took place in informal sector. But if the own account employment is added, the proportion goes up to 83 percent.²⁸¹ For

populations (especially MSM), large infrastructure development where external and internal migrants move into the areas, young people movement across the region (regional integration), and other cross cutting issues such as poverty, prevailing gender norms and inequality.

and Lao Statistics Bureau, included women aged 50 years and above in studies using standard violence against women survey measures. However, the study highlights that this approach may not have adequately captured the different risk factors, types and impact of violence experienced by older women, which may differ from women aged 50 years or less.²⁷⁸

Older persons with pre-existing health conditions or disabilities are among the most vulnerable to COVID-19. This vulnerability is compounded by a high incidence of poverty, poor mobility, and large gaps in social protection coverage. Many older persons live in multigenerational households and are dependent on their family members. Others live alone and may face barriers to obtaining accurate information, food, medication, and other essential supplies, thus requiring concerted outreach and monitoring from community services. Furthermore, those who are highly care-dependent need a continuum of practical and emotional support through families, health workers, caregivers, and volunteers.²⁷⁹

much of this informal employment, remote working is not possible. The characteristics make social distancing challenging, enhancing transmission risk. Many of those likely to have been pushed into poverty by the pandemic held vulnerable employment without social protection. The sharp increase in unemployment in travel, tourism and hospitality industry led to high urban unemployment. This is an important aspect considering that in Lao PDR approximately 21.1 percent of the urban population lived in slums in 2018.

²⁷⁷ LSB; UNFPA; UN Women; WHO, *Lao National Survey on Women's Health and Life Experiences: A study on violence against women* (2014)

²⁷⁸ LSB; UNFPA; UN Women; WHO, *Lao National Survey on Women's Health and Life Experiences: A study on violence against women* (2014)

²⁷⁹ UN in Lao PDR, *UN Lao PDR Socio-Economic Response Framework to COVID-19* (September 2020)

²⁸⁰ *ibid.*

²⁸¹ UN-Habitat, *Impacts of COVID-19 in Vulnerable Settlements and Communities in Lao PDR* (2020)

Vulnerable clusters of settlements can be identified across the country. Most of these are concentrated in peri-urban areas that can be accessed through primary roads. These areas are at higher risk, as the disease may spread faster because of the high population number, density, and connectedness. This is also true for transit routes across Lao PDR between neighbouring countries. A total of 31 districts in 12 provinces are highly vulnerable to the COVID-19 virus

considering the analysis criteria used.ⁱⁱ Almost a third are concentrated in Vientiane Capital, while three other clusters are located in the southern provinces of Attapeu, Champasak, Saravane and Sekong (nine vulnerable districts), at the centre in Khammuane and Savannakhet provinces (six vulnerable districts), and at the south of Luangprabang province (three districts).²⁸²

²⁸² Ibid.

7. Analysis of compliance with international human rights, norms, and standards

Lao PDR has ratified seven out of nine core human rights treaties (Annex-1).ⁱⁱⁱ The country is also cooperating with human rights mechanisms and bodies.ⁱⁱⁱⁱ Lao PDR accepted 116 of 196 recommendations from the previous UPR, (2nd Cycle, 2015) and has amended many laws to enable the country to implement these recommendations. The 3rd UPR process took place in January 2020. States made 226 recommendations, of which the Lao PDR

Government has accepted 160 and noted 66. Responding to the recommendation on setting up an independent human rights mechanism, Lao PDR Government stated that it will continue to maintain its existing domestic mechanism, the National Human Rights Committee, as the overarching human rights mechanism for the promotion and protection of human rights at the national level.^{liv}

Whilst many recommendations related to social, economic and cultural rights were accepted, in particular those linked to climate and environment and SDGs advancement, some other recommendations related to improving legislative frameworks, acceptance of international norms, constitutional and fundamental freedoms, including on civil and political rights were not, such as:

- In 2015 the recommendation on Optional Protocol to the Convention against Torture was partially accepted, in 2020 it was noted;
- The recommendation on Non-Profit Associations/civil society was supported in 2015, in 2020 it was noted;
- In 2015 some recommendations on the investigation of the case of the enforced disappearance of Sombath Somphone were supported, in the 3rd cycle – all were noted;
- In 2015 the recommendation to allow all religious communities to meet and conduct activities freely, regardless of whether they are incorporated or registered was supported, in 2020 it was noted;
- The recommendation to uphold the right to freedom of expression in any move to adopt a cyber law was supported in the 2nd cycle, but noted in the 3rd cycle; and
- Recommendations to fully enable civil society organisations to fulfil their role and conduct their activities were supported in the 2nd cycle but noted in the 3rd.

At the invitation of the Government, two Special Rapporteurs have visited the country: one on the sale of children in November 2017 and another on extreme poverty in March 2019. In a strongly worded rebuttal, the Government rejected the findings of the Special Rapporteur on Extreme Poverty. While the death penalty remains in the statute books, no executions have taken place since 1989.

Despite progress, the overall human rights situation in some areas can be further improved. More specifically, this would include compliance of domestic laws with the international human rights norms and standards. Examples of aspects raised and suggested by member states in the 3rd UPR cycle include free media, referred to as an important institution to promote transparency and accountability. Certain laws arbitrarily and disproportionately restrict freedom to expression and peaceful assembly.²⁸³ Decree No. 238 on non-profit associations imposes restrictions on the formation and functioning of NPAs and limit the space for civil society to function. The registration process should become less cumbersome and based on trust. The Decree empowers law enforcement bodies to act disproportionately to restrict freedoms on vaguely defined grounds of “social disorder”, “propaganda against the state” and “insult”.²⁸⁴ The physical conditions of prisons and detention centres can be improved by addressing overcrowding and inadequate food and medical facilities. Pre-trial detainees are reportedly imprisoned with convicted prisoners, which is not in conformity with international standards.²⁸⁵

Despite the constitutionally guaranteed “right to freedom to believe or not to believe in religion”, there are reports of discrimination against religious minorities.²⁸⁶ Decree No. 315 describes the legal space in which religious organisations are required to operate through a complex approval process for nearly all religious activities in a language that is vague and open to multiple interpretations, often emboldening local authorities to implement the spirit of the decree as they understand it rather than according to the law.²⁸⁷ The UPR Working Group (3rd cycle) recommended to review and amend Decree No. 315 to

ensure that administrative procedures for religious groups are not arbitrary, vague and discriminatory, and to eliminate the wide latitude local officials have to discriminate against and persecute religious minorities. This recommendation was supported by the Government.

Consultation with and payment of compensation to those displaced by projects remains an area of concern. Investment in extractives and large infrastructure projects has resulted in the displacement of large number of families who were relocated to make way for the projects through land concessions. Families were compelled to move away from productive agricultural land losing land and livelihoods in the process. The rights of the project-displaced persons, overrepresented by certain ethnic groups and geographical areas, to be consulted and compensated were not consistently protected with serious impact on their lives and livelihoods. Compensation for land concessions is available only when land is titled. Only about one-third of land in the country is estimated to be titled, thus making the occupants of land without formally assigned ownership, and only with customary land rights, highly vulnerable to expropriation without compensation.²⁸⁸

There is a better legislative framework in place for economic and social rights than political and civil rights. The CEDAW committee noted that 13 pieces of legislation have been passed between the 6th and 7th Combined Periodic Report (2009) and the 8th and 9th Combined Periodic Report (2018) to protect the rights of women and children, besides 10 policies and strategies to further the cause of gender equality. There is also progress on child rights as noted by the Committee on the Rights of the Child.²⁸⁹ The country also took the step of adopting the National Action Plan on the Prevention and Elimination of Violence against Women and Children (2014-2020). Furthermore, the Government renewed its commitment to advance the right of the child and to invest in the generation of children and young people in 2019 through the Lao Generation 2030 Declaration. Formulation of a National Youth Policy aimed at promoting access to social services, skills development and civic

²⁸³ Penal Code of Lao PDR, Articles 94, 95, 65, 72; Decree No. 327 of 16 September 2014, Internet and Information Management; Media Act of 2016; Decree on Management of Foreign Media of November 2015; ICCPR Concluding Observations, CCPR/C/LAO/CO/1

²⁸⁴ Government of Lao PDR, Decree on Associations (No. 238) (August 2017)

²⁸⁵ US Department of State, Laos 2017 Human Rights Report (2017)

²⁸⁶ US Department of State, Annual Report on Religious Freedom- Lao PDR (2019)

²⁸⁷ Ibid.

²⁸⁸ LWU, Lao PDR Gender Profile (June 2018)

²⁸⁹ UN, Concluding Observations on the Combined Third to Sixth Periodic Reports of Lao PDR on the Convention on the Rights of the Child (November 2018)

participation was a process inclusive of youth from traditionally underrepresented groups including youth with disabilities and from LGBTIQ communities.

Due to a high degree of informality, compliance with labour laws and standards presents a mixed picture.

In Lao PDR, the challenge of poor job quality has been linked to the limited adoption and enforcement of national and international labour standards and labour laws. The working conditions present a picture of employment vulnerability, weak or non-existent enforcement of the labour law and regulations, low wages, and increasing occupational safety and health issues in the workplace in the context of rapid economic growth. While union coverage is 100 percent in the formal public sector, it drops to 50 percent in the formal private sector. The situation prevails due to high degree of informality. It is estimated that 83 percent of total employment was informal employment.²⁹⁰ In the export-oriented garment industry, for example, labour standards are poorly enforced, and women often work long hours in poor conditions, suffer from poor nutrition and various illnesses, are forced to work overtime, are underpaid, are penalised for slow work, and face verbal abuse in the workplace.²⁹¹ Young uneducated rural women who have migrated into urban centres for work are exposed

to higher risks of violent or coercive sexual encounters, unwanted pregnancy and unsafe abortion. When the migrant goes to a foreign country, most often Thailand, the risks of abuse and exploitation are heightened.

The duty bearers' capacity to protect and promote human rights, especially of the marginalised population segments, is low.

Rule of law and access to justice does not effectively target marginalised and vulnerable groups. Regulation and standardisation of civil society registration is lengthy, burdensome, and restrictive, inhibiting their role in the protection of human rights. Regulation of expression and assembly is arbitrarily interpreted and disproportionately implemented, curtailing both expression and assembly efforts, in particular for marginalised and vulnerable groups. Lack of institutional accountability and transparency undermine efforts to protect and promote human rights. There is limited engagement with local communities and an absence of effective formal mechanisms to ensure their participation in decision making. The collection of disaggregated data and use of evidence in decision making is not systematic in terms of being able to effectively address human rights issues faced by marginalised and vulnerable groups and meet capacity needs among these groups.

²⁹⁰ LSB, *Labour Force Survey* (2017)

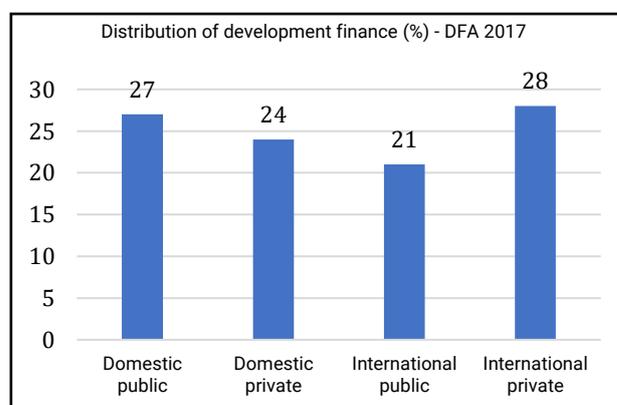
²⁹¹ ILO, *Improving the Garment Sector in Lao PDR: Compliance through Inspection and Dialogue* (2014)

8. Financial landscape analysis

Financing sustainable development has historically been the role of the public sector and ODA. Yet, over the last ten years or so, private finance has become a large contributor to total investment in the country, representing more than half of total available finance, mostly through large infrastructure projects funded by FDI or bilateral lending. However, it is important to note that considering a broad definition of development finance, as is often the case, leads to include flows for projects not necessarily well aligned with the 2030 Agenda (such as investment in hydropower, mining, or other mega infrastructure projects). A more narrowed definition of development finance, only including flows contributing directly to progress towards the SDGs—and in the process addressing potential trade-offs between them, and national development priorities, would reveal a greater reliance on the two more traditional sources of development finance that are the public sector and ODA. Moreover, a comparative analysis reveals that the composition of Lao PDR's total available finance is dissimilar to that of neighbouring countries, where domestic public finance plays a larger role, and where reliance on ODA for the 2030 Agenda is less important.

The shortage of available development finance has become one of the single most important obstacles to progress towards the 2030 Agenda and national priorities. Tight public finances with rising deficit and debt levels, limited alignment of the private sector with sustainable development priorities and potentially declining trends in ODA have all been identified by the Government and development partners as risks to development and have been reinforced by the impact of the COVID-19 pandemic.

Graph 15: Development Financing Structure



Source: the 2017 Development Finance Assessment for Lao PDR

The IMF identified, in its 2019 Article IV consultation report, important structural macroeconomic, fiscal, and financial vulnerabilities.²⁹² These were already hindering Lao PDR's progress towards the SDGs:

- Liabilities from mega-projects and expenditures to mitigate and recover from natural disasters grew, while revenues were already underperforming. This led to the suspension of new investment projects and initial attempts for fiscal consolidation and re-prioritisation of public investment, as deficit and debt levels reached unsustainable levels.
- ODA continued to play an essential role in the country, contributing to large shares of total investment in social sectors, and in particular in human capital. Other official flows' role in development have increased substantially, with external borrowings, from China and Thailand, contributing on the one hand to infrastructure development and regional integration and on the other hand to increasing debt servicing and often, to unsustainable natural resources extraction.
- While private finance began to play a larger role in the country's economic development (domestic and international private finance representing more than half of the country's total available development finance), there were and still are concerns over investment quality and sustainability. Most private finance was indeed directed towards large infrastructure/ energy projects which had a substantive impact on natural resources and did not generate inclusive quality employment opportunities for the Lao labour force.
- Remittances have also traditionally played an important role in poverty reduction (USD 284.5 million in 2015).

The COVID-19 pandemic has reinforced the financial difficulties that Lao PDR had been facing, further reducing available fiscal space, weakening the private sector and destabilizing remittance flows.²⁹³ The Government acted by setting up a multi-stakeholder Taskforce with development partners to recalibrate development planning and address financing opportunities. It is currently in the process of developing a financing strategy, alongside costing estimates of policy priorities for the 9th NSEDP, demonstrating the urgency of addressing development finance together with planning to ensure actual progress towards the SDGs is made.

Analysing the financial landscape in early 2021 is, however, subject to difficulties stemming from

uncertainty around the full impact of the pandemic and the absence of recent data and statistics. This section therefore analyses development finance based primarily on data available prior to the pandemic. Key documents used in this section are the Development Finance Assessment (DFA) undertaken by the UN Development Programme (UNDP) in 2017²⁹⁴ and the IMF Article IV consultation report.²⁹⁵ The World Bank's most recent economic monitor (January 2021)²⁹⁶ and UNDP's socio-impact assessment²⁹⁷ of the COVID-19 were also consulted to integrate the impact of the pandemic. A new DFA is currently being undertaken to support the elaboration of a financing strategy for the 9th NSEDP and should help the UN to update its understanding of development finance.

Domestic public finances

COVID-19 exacerbated already existing public finances vulnerabilities. The World Bank forecasts that fiscal deficit to GDP is estimated to have reached 7.6 percent in 2020 and the debt to GDP ratio to have reached 69 percent.²⁹⁸ The limited available fiscal

space limits the country's ability to respond to the pandemic and reprioritise spending, especially as the pandemic, in 2021, continues to affect revenues and the real economy. Lao PDR's situation appears even more critical looking at the regional level, as it bears

²⁹² IMF, *Lao PDR 2019 Article IV Consultation- Staff Report* (August 2019)

²⁹³ UN in Lao PDR, *UN Lao PDR Socio-Economic Response Framework to COVID-19* (September 2020)

²⁹⁴ UNDP, *Lao PDR Development Finance Assessment: Seizing opportunities to deliver sustainable LDC graduation through an integrated national financing framework* (November 2017)

²⁹⁵ IMF, *Lao PDR 2019 Article IV Consultation- Staff Report* (August 2019)

²⁹⁶ World Bank, *Lao Economic Monitor: Supporting Economic Recovery* (January 2021)

²⁹⁷ UN in Lao PDR; UNDP, *Socio-Economic Impact Assessment of COVID-19 on Lao PDR* (draft)

²⁹⁸ World Bank, *Lao Economic Monitor: Supporting Economic Recovery* (January 2021)

the highest debt burden behind Singapore, has the lowest reserves stock as a share of external debt, making meeting the debt repayment schedule a challenge for authorities—estimated according to the UN Capital Development Fund (UNCDF) at around at least 1 billion USD annually over the period of the 9th NSEDP, and one of the most limited fiscal stimulus packages of Asia.²⁹⁹

Revenue collection has been underperforming for years but is expected to reach a new low due to the pandemic and the associated weak performance in the real sector. Up to 65 percent of formal businesses have reported a high risk of needing to terminate at least part of their operations, according to the Lao National Chamber of Commerce and Industry.³⁰⁰ Reduced economic activity has significantly affected tax revenue. By the end of November 2020, Government tax revenue had fallen, only reaching 76.9 percent of the revised budget and 62.4 percent of the

original budget.³⁰¹ In January 2021, the World Bank projected that domestic revenue collection was expected to decline from 13.5 percent in 2019 to 10.2 percent in 2020.³⁰²

Lao PDR has been unable to inject a significant stimulus package to face the adverse effects of the pandemic. The Lao Chamber of Commerce and Industry (LNCCI) estimated that the cost of supporting recovery amounts to 2 percent of GDP. The actual fiscal response to date has been only a fraction of the suggested need, concentrated primarily on deferrals and postponements of tax obligations.³⁰³ The World Bank estimates that total measures will only amount to 0.1 percent of GDP.³⁰⁴ MSME support is mostly funded by loans from China, with an important loan of around 1.7 percent of GDP.³⁰⁵ Reprioritisation of spending has been difficult, due to the long-lasting inefficiency of public investment and the share of recurrent expenditures (see below).

The adverse impacts of the COVID-19 pandemic on public finances built on structural vulnerabilities of the fiscal position, which include:

- **Poor revenue collection, mostly due to a narrow tax base:** The share of domestic revenue has declined from 23.9 percent in 2015 to 16.4 percent in 2017 and further to 13.5 percent in 2019 (with an estimated drop to 10.2% in 2020).³⁰⁶ Lao PDR tax revenue to GDP is therefore below the recommended threshold of 15 percent.³⁰⁷ The IMF reported in 2019 that around 80 percent of the corporate tax base is estimated to be exempt, with tax holidays ranging from 7 to 15 years³⁰⁸. Reviewing tax exemptions, which are essential parts of the development of Special Economic Zones, so as to maintain their role in stimulating foreign direct investment but limiting fiscal costs and the impacts on sustainable development spending, has been advocated by development partners for years. A high degree on informality in the economy, low tariffs and declining royalties from hydropower and mining concessions have also been responsible for these declining performances.³⁰⁹
- **Efficiency of public expenditure:** public investment projects have often been considered on an ad-hoc basis, without being carefully linked to the identified development priorities. Modernising public administration and reducing redundancies should also lighten recurrent expenditures.³¹⁰
- **Weak public financial management and credibility of public finances:** the PEFA assessment³¹¹ revealed the necessity to continue improving public investment efficiency and reorientate spending towards SDG activities. Improving the functioning of the tax administration, and the linkages between the planning and budgeting functions in Government, especially across ministries, appears essential. Lao PDR's public finances' low credibility has led Moody's to downgrade the country's sovereign rating to Caa2, making the country the lowest ranked in Asia without being in default. There is, consequently, little appetite for Lao bonds, further constraining the range of options available to finance development.³¹²

²⁹⁹ UN in Lao PDR, *UN Lao PDR Socio-Economic Response Framework to COVID-19* (September 2020)

³⁰⁰ UN in Lao PDR, *UN Lao PDR Socio-Economic Response Framework to COVID-19* (September 2020)

³⁰¹ World Bank, *Lao Economic Monitor: Supporting Economic Recovery* (January 2021)

³⁰² Ibid.

³⁰³ UN in Lao PDR, *UN Lao PDR Socio-Economic Response Framework to COVID-19* (September 2020)

³⁰⁴ World Bank, *Lao Economic Monitor: Lao PDR in the time of COVID-19* (June 2020)

³⁰⁵ Ibid.

³⁰⁶ World Bank, *Lao Economic Monitor: Supporting Economic Recovery* (January 2021)

³⁰⁷ UN DESA, *Least Developed Countries Report* (2019)

³⁰⁸ IMF, *Lao PDR 2019 Article IV Consultation- Staff Report* (August 2019)

³⁰⁹ Ibid.

³¹⁰ Ibid.

³¹¹ World Bank; EU, *Public Expenditure and Financial Accountability Assessment* (March 2019)

³¹² UNCDF, *Lao PDR Bonds Report* (2020)

- **Debt levels, composition, and servicing obligations:** The Government debt is now estimated to have reached 68 percent of GDP.³¹³ The Government of Lao PDR ‘recognised the high level of public debt and highlighted their commitment towards continued fiscal consolidation’ during the IMF latest Article IV consultation³¹⁴ in which the latter reiterated that Lao PDR has been at high risk of debt distress since 2016. In his address to the Eleventh Party Congress, the new President H.E. Mr. Thongloun Sisoulith mentioned fiscal vulnerabilities as one of the seven most important issues to prioritise and tackle, including high public debt, low state revenue collection capacity financial leakages, and an insufficient budget for development interventions set out in the 9th NSEDP.³¹⁵ Contingent liabilities made up of for potential liabilities from purchasing power parity, realisation of potential arrears, and the recapitalisation needs from the banking system are equivalent to 39 percent of GDP³¹⁶ The state-owned energy company Électricité du Laos is alone estimated to have USD 8 billion of debt. While most projects financed by bilateral lending do not have direct Government liabilities, indirect liabilities have emerged as projects were not sufficiently productive or unsustainable state-owned enterprises (SOEs) were involved. Contingent liabilities can ultimately pose risks to the country’s strategic assets, especially in the energy sector (e.g., the majority control of Électricité du Laos ³¹⁷). Privatisation and management of SOE’s liabilities have begun but will take time as there is little appetite for equity investments in large loss-making companies. In addition to the high level of debt, the external composition of debt has raised concern, as around half of debt was held by a single creditor (China) by the end of 2018³¹⁸. Debt repayments, in the absence of high reserve coverage (around a month according to most recent pre-COVID data), become increasingly challenging for the Government. They amounted to USD 1.2 billion in 2020 and should roughly stay at that level between 2021 and 2025. In this context, the Government of Lao PDR has not taken part in the G20 debt service suspension initiative, which could provide some immediate relief to public finances.³¹⁹
- **Fiscal resilience to disasters:** Lao PDR has become increasingly vulnerable and exposed to climate change and natural disasters management. Recovery efforts are costly. For instance, the 2018 floods should cost the Government around 3 percent of GDP according to the IMF, a large share of which has been financed by development partners (USD 81 million).³²⁰

The Government of Lao PDR has demonstrated some commitment to increase fiscal space and strengthen the credibility of public finances through targeted reforms but increasing pace and reach will be necessary. The most recent efforts towards the elaboration of a high-level financing strategy for the 9th NSEDP demonstrate understanding amongst authorities of the need to prioritise spending and increase effort in mobilising less traditional sources of finance in a highly resource-constrained environment. Ongoing PFM reforms and projects should strengthen the tax administration, improve information systems,

and transparency and linkages between the Ministry of Finance (MoF), the Ministry of Planning and other parts of Government. A Public Procurement Law, alongside a moratorium on new public investment projects, should lead to better prioritisation of spending and reduce the unsustainable pattern of growth mentioned beforehand. Meanwhile, a new law on Public Debt Management (2018) has clarified processes for debt contraction and servicing and is thought to help reduce the weight of repayments in total expenditure.³²¹

International public finance

ODA from OECD Development Assistance Committee (DAC) countries remains one of the key drivers,

alongside domestic public investment, of progress towards the 2030 Agenda. It has stayed relatively

³¹³ World Bank, *Lao Economic Monitor: Lao PDR in the time of COVID-19* (June 2020)

³¹⁴ IMF, *Lao PDR 2019 Article IV Consultation- Staff Report* (August 2019)

³¹⁵ Laotian Times, *Eleventh Party Congress Discusses 6 Targets and 7 Issues* (January 2021)

³¹⁶ IMF, *Lao PDR 2019 Article IV Consultation- Staff Report* (August 2019)

³¹⁷ Reuters, *Taking Power- Chinese firm to run Laos electric grid amid default warnings* (September 2020)

³¹⁸ IMF, *Lao PDR 2019 Article IV Consultation- Staff Report* (August 2019)

³¹⁹ UNCDF, *Lao PDR Bonds Report* (2020)

³²⁰ IMF, *Lao PDR 2019 Article IV Consultation- Staff Report* (August 2019)

³²¹ Ibid.

stable at slightly less than USD 500 million per year since 2015 and constituted around two-thirds of grants. It is primarily channelled through the Lao PDR Government – few NPAs receive ODA funds - and to that extent makes an important contribution to the national budget (16 percent in 2016). Some sectors are heavily reliant on ODA, such as agriculture (40 percent of state budget spending), infrastructure (30 percent) or health (20 percent).³²²

Reliance on ODA for social sectors is even more apparent when looking at specific projects in social sectors. The school feeding program has for instance largely depended on grants from DAC countries. Social protection schemes, family planning or UXOs management all rely largely on grants and loans too.

LDC graduation, the COVID-19 pandemic and the financial credibility of the country may negatively impact ODA disbursements in Lao PDR in the future.

LDC graduation remains a relatively low risk to development finance as few countries have anchored their contributions to this likely change in Lao PDR's status. Yet, graduation could bring slightly less concessional terms for loans and Lao PDR is expected to lose preferential trade treatment from certain developed countries, including the EU.³²³ The broad COVID-19 impacts on ODA disbursements is still unknown. While many countries have reaffirmed their commitments to support recovery through development aid, they often anchor their contributions to GNI, which is likely to fall due to the pandemic. The OECD³²⁴ calculated that global ODA may decline by USD 11-14 billion if DAC countries maintain their ODA

to GNI ratios. In addition, GAVI funds were slated for withdrawal in 2022. Eventually, restoring credibility of public finances would encourage ODA commitments, which, as mentioned, mostly go through the budget of the Government.

Bilateral lending from non-DAC countries now represents a significant share of development finance and has contributed to significant progress in regional connectivity.³²⁵ China has made significant

investments in the country as part of the Belt and Road Initiative, becoming the largest single creditor of the country (77 and 69 percent of concessional and non-concessional bilateral loans respectively are of Chinese origin³²⁶), even without considering indirect liabilities with SOEs. China, and to a certain extent Thailand and Viet Nam, have focused primarily on large infrastructural investments in the country, such as the Kunming-Vientiane railway, hydropower dams or expressways, with a view to boost Lao PDR's development. While such projects are key to the regional collaboration that will be critical in facilitating regional integration, there are concerns over their economic sustainability and the costs of maintenance, the impacts on populations that are displaced, as well as on natural resources, which risk further degradation and depletion. The current resource-dependent development path of Lao PDR, discussed in the Prosperity section of the CCA, has largely been financed through those other financial flows with limited sustainability and benefit to the broader population.

Private finance: the domestic private sector, FDI and remittances

Domestic and international private investments have grown exponentially. Promisingly, FDI grew by a factor of forty between 2000 and 2017. In 2017, FDI represented 9.9 percent of GDP and 48 percent of gross fixed capital formation in the private sector. Domestic private finance has grown from USD 300 million to 2.7 billion between 2000 and 2015.³²⁷

Private sector investment is not consistently aligned to the 2030 Agenda and national priorities. Most

private sector investments – noting that publicly available data only shows approved investments, not actual FDI data – both domestic and foreign, have gone into mining, hydropower, and natural resources, contributing to further resources depletion and degradation. The private sector is mostly constituted of larger firms, both domestic and foreign, which contribute less to quality employment than could be possible. SMEs are mostly found in the informal sector, have limited access to finance and suffer from

³²² UNDP, *Lao PDR Development Finance Assessment: Seizing opportunities to deliver sustainable LDC graduation through an integrated national financing framework* (November 2017)

³²³ UN in Lao PDR; UNDP, *Socio-Economic Impact Assessment of COVID-19 on Lao PDR* (draft)

³²⁴ OECD, *The Impact of the COVID-19 Crisis on Development Finance* (2020)

³²⁵ UNDP, *Lao PDR Development Finance Assessment: Seizing opportunities to deliver sustainable LDC graduation through an integrated national financing framework* (November 2017)

³²⁶ World Bank, *Lao Economic Monitor: Supporting Economic Recovery* (January 2021)

³²⁷ International Financial Corporation (IFC), *Investment Reform Map for Lao PDR, A Foundation for a New Investment Policy and Promotion Strategy* (January 2021)

an opaque regulatory environment, limiting their role in supporting progress towards the SDGs, despite their potential as a driver of poverty alleviation.³²⁸

Easing regulations, improving transparency, and removing non-tariff measures to regional trade should further encourage private sector

development. Lao PDR is currently ranked at the 154th position of the Doing Business ranking produced by the World Bank.³²⁹ Reforms to support private sector led growth are necessary, such as investments in connectivity, simplification of regulations to start a business and removing cumbersome regulations hindering regional trade.

However, the emergence of a strengthened private sector that contributes more to achievement of the SDGs, with resilient SMEs, a healthy financial sector and quality jobs, delivering green and sustainable growth and participating to poverty reduction, requires a more complete set of reforms. Unlocking the untapped potential of the private sector will among others require:

- **Supporting SMEs, especially their recovery after the COVID-19 pandemic:** most Lao companies are SMEs, and according to the European Chamber of Commerce in Lao PDR, 70 percent of them expect to lose half of their revenues due to the pandemic. The Lao Chamber of Commerce reported that 60 percent of firms surveyed in accommodation and transport are at risk of shutting down operations.³³⁰ Supporting the recovery of SMEs through direct cash transfers and tax holidays is likely to mitigate the impacts of COVID-19, but longer-term measures are necessary. Simplifying the administrative work required, developing e-commerce regulations, and improving financial inclusion will be required.³³¹
- **Reforming and recapitalising the banking system, developing financial inclusion:** the domestic financial sector in Lao PDR is characterised by lack of depth, limited inclusivity, and a high degree of informality. Due to weak supervision, the banking sector has shown signs of fragility according to the IMF, even though non-performing loans remain below 3 percent of gross loans.³³² In addition, SMEs, which contribute to 16 percent of GDP and 13 percent of exports, are not served well by the financial sector. It is estimated that less than 30 percent of SMEs can access long-term credit - much lower than the ASEAN average of 50 percent. Only 20 percent of small firms and 45 percent of medium-sized firms had a loan or line of credit from a bank in 2018.³³³ Micro-finance institutions are playing an increasingly important role especially in rural areas. Improved availability of credit to SMEs, 30 percent of which are owned by women, will contribute to greater diversification and inclusion. The Government of Lao PDR has been working towards more transparency and inclusion. The banking system is being restructured with the new Commercial Banking Law 2018 and the Bank of Lao PDR is working to improve bank supervision, resilience to risks, and access to financial services. It is also working to promote financial inclusion under the financial inclusion Roadmap 2016–2020.
- **Improving labour standards to support the creation of quality jobs:** improving the protection of workers (through minimum wages per profession, as set out in the 9th NSEDP) through regulation and targeted investments in the education-labour market nexus could help the private sector generate quality jobs (see People chapter on the demographic dividend).
- **Green regulations and incentives for green growth:** allowing private sector development while halting further resources degradation will require the Government of Lao PDR to improve governance, laws, and regulations (such as Environmental Impact Assessments for all projects). Targeted fiscal incentives for investments in green growth sectors (renewable energy generation, sustainable agriculture etc.) would also lead to further domestic and foreign investments.

³²⁸ IMF, *Lao PDR 2019 Article IV Consultation- Staff Report* (August 2019)

³²⁹ World Bank, *Doing Business: Economy Profile Lao PDR* (2020)

³³⁰ World Bank, *Lao Economic Monitor: Lao PDR in the time of COVID-19* (June 2020)

³³¹ UN in Lao PDR, *UN Lao PDR Socio-Economic Response Framework to COVID-19* (September 2020)

³³² IMF, *Lao PDR 2019 Article IV Consultation- Staff Report* (August 2019)

³³³ *Ibid.*

The World Bank estimated that the COVID-19 impact could have a strong impact on remittances, a source of finance for many households, especially in rural areas. More than 100,000 migrants have returned to Lao PDR, and this has resulted in losses estimated to USD 125 million, or 0.7 percent of GDP - which affect around 9 percent of households, whose income is 60 percent dependent on these transfers from abroad.³³⁴

In sum, Lao PDR is faced with the prospect of not meeting its international and national development commitments due to, (1) limited fiscal space, (2) uncertainties over ODA and bilateral lending trends and (3) scope for improvement in private sector alignment to the SDGs - all of which have been negatively impacted by COVID-19. There is an urgent need to address the financial situation holistically – considering the role that all sources of finance can play to support the development.

The Government recently begun doing so with development partners, through the elaboration of a high-level financing strategy for the 9th NSEDP. This should pave the way for a more comprehensive Integrated National Financing Framework. Further consolidating the fiscal position through expanding the tax base and improving debt management should help to progressively increase space for targeted high-return development interventions, providing that public investment management and efficiency simultaneously improves. Restoring credibility of public finances may, in addition, be key to obtaining further ODA and other loans and grants in an uncertain context over development partners' future contributions. Eventually, incentivizing the private sector to take on a larger role in the 2030 Agenda, through better regulations and governance and fiscal incentives, would help to tap into a financial resource largely unexploited at this stage.

³³⁴ World Bank, *Lao Economic Monitor: Lao PDR in the time of COVID-19* (June 2020)

9. Multidimensional SDG Risk Analysis

Lao PDR faces multidimensional risks that could impact the country's development trajectory. These could also potentially hinder national efforts to achieve SDGs, reduce inequalities, promote human rights, and ensure a smooth graduation from the LDC status. **Annex - 2** presents an assessment of the risks using the UN-established 12-factor multidimensional risk analysis. These risks are inter-linked and overlap and should not be considered as isolated risk factors but in their entirety.

The high-risk factors identified by UNCT in Lao PDR are:

1. Regional and global influences that pose a risk to the country's economy, environment, and governance systems include vulnerability of the Lao economy to the slow-down in the regional economies; cross-boundary projects being developed along the Mekong river; cross-border illicit movement of drugs, timber and wildlife; money laundering; irregular migration and human trafficking; political unrest in neighbouring countries; cross-border disasters; regional health security risks caused by mobility of people and animals (as seen with COVID-19); and haze pollution;

2. Denial of justice and rule of law; limited implementation of anti-discrimination legislation; curtailed freedoms; lack of legal recourse in many cases (such as dislocation, wrongful detention); limited scrutiny of law enforcement agencies; potential influence of protests in neighbouring

countries; freedom of expression limitations, including on social media; high exclusion, absence of social justice and multidimensional inequalities faced by many population groups and regions; and limited implementation of human rights commitments pose risks to inclusive development;

3. Economic instability and lack of opportunity, especially in the case of a prolonged COVID-19 situation, caused by fiscal crunch, an unsustainable debt burden with risk of default, dimmed growth and foreign investment prospects due to pandemic, low sovereign credit rating, high levels of corruption, overstretched resources, long-gestation projects with no immediate revenues, and shrunken space for human capital investment at a time when country needs it the most. The outcome of the upcoming FATF review could further limit foreign investment flows;

4. Public health risks and likely impact are high notably from the pandemics/epidemics as assessed by the Global Risk Index. While the country has averted a major penetration of COVID-19, the public healthcare system would not be able to deal with a major public health disaster. Several other communicable and non-communicable diseases continue to pose risks and cause a significant disease burden.

5. Disaster risks are assessed as "medium", but the vulnerability is high and coping capacity very low with the result that any disaster will potentially have a

disproportionate impact on lives, livelihoods, and assets. The multiple disasters of 2018 are a grim reminder of how ill-prepared the country is to cope with disasters and how serious the impact of such disasters could be on various population groups, the economy, and infrastructure, along with heightened risk of domestic violence and trafficking. The impact of disasters can last for many years with women and children often bearing a disproportionate burden. Lack of disaster-sensitive social protection leaves most affected population groups highly vulnerable. These risks are further aggravated by climate change and unsustainable use of natural resources and may cause setbacks to development gains already made in the absence of a strategy for disaster risk reduction and preparedness at multiple levels to respond to emergencies.

These risks can be mitigated. Improved transparency in the management of economy and natural resources, disaster preparedness and risk reduction plans, an inclusive and well-functioning public health system, a judicial system that promotes rule of law and protects

human rights, greater accountability to people, and expanded democratic space for civil society and people to participate can significantly mitigate risks.

By its nature, risk analysis may change over time. The risk analysis presented here is for five-year term and is coterminous with the UNSDCF and the 9th NSEDP. This analysis also aims at (a) mainstreaming “prevention” in the programmes across the board in line with UN Secretary General’s Prevention Platform (b) alerting the headquarters to any emerging risks that could jeopardise the UN’s operations in the country (c) planning for reallocation of resources (or mobilising additional resources) in case a risk is likely to materialise and (d) measuring the risk to UN’s human and financial resources.

The UN can monitor the trends and early warning indicators and continue efforts towards bringing about long-term change. Since some of the indices are published after a time lag, the UN may rely on the regular media monitoring, including regional and social media, and local information from civil society, diplomatic missions, and possibly private sector.

10. Gaps and Challenges towards the 2030 Agenda

As one of the fastest growing economies, Lao PDR has been successful in reducing poverty and improving living conditions of people. But the growth model led by foreign investment and based on exploitation of natural resources was neither environmentally sustainable nor sufficiently inclusive. Looking forward, as the country embarks on the implementation of the 9th NSEDP formulated under the shadow of COVID-19, Lao PDR faces the following challenges towards the 2030 Agenda.

1. Investment in human capital is needed. Poor learning outcomes and healthcare challenges, including undernutrition, and lack of meaningful social protection coverage are challenges that need to be addressed for the country to reap a potential demographic dividend. Vocational education must gear towards bridging the skills mismatch by anticipating the demand for skills. Private sector involvement to co-create skills system in the country would be imperative. Strengthening the connection between education and life opportunities, especially for women, should also be prioritised.

2. Lao PDR has the potential to reap a demographic dividend. The country is passing through a 'youth bulge' with a very young population and low dependency ratio. This is a distinct opportunity for the country to reap a demographic dividend. It would however require strategic policy making with a significant investment in quality education, starting

with early childhood, health, and skills as well as labour market interventions particularly focusing on women and girls.

3. Limited availability of development finance threatens development progress. The country is passing through a serious fiscal situation caused by multiple factors, notably a high and unsustainable debt burden that financed the country's large and ambitious investment projects with long gestation periods and limited immediate returns, causing a dent in the domestic revenue base. It threatens to leave a much-shrunk resource base for the SDGs and the 9th NSEDP. In particular, investment in human capital may be affected. Lao PDR needs to carry out comprehensive public finance reform in a more transparent manner and reprioritise spending to social sectors.

4. The governance system faces challenges in delivering inclusive development. A major contributing factor to the 2030 Agenda and achievement of SDGs in the country would be a governance and institutional system that strengthens the rule of law, effective delivery of public services, the realisation of human rights by all, people's participation, and accountability. The country must increasingly provide greater freedoms and a conducive environment for civil society and media to function and comply with international norms and standards, both in law and practice. These changes will require strong political will and effective

implementation of existing laws and international human rights commitments. Greater digitalisation of economy and public services could offer greater resilience against shocks and check corruption.

5. The growth model based on commercialisation of fast degrading and depleting natural resources is unlikely to be sustainable in the future. The country has already overexploited its natural resource base. In coming decades there is a critical need to diversify its growth pattern towards non-resource based economic sectors e.g., manufacturing and services. For Lao PDR to achieve sustainable development, it must retain/regain control of its natural resources and use them judiciously through climate-smart development, including agriculture which can serve multiple purposes including (when upgraded) a larger sector for skilled employment, a productivity that can serve a broader food and non-food processing industry, export, and higher levels of national food security (including higher levels of nutrition) less reliant on costly imports. Environmental impact must be strictly and transparently assessed with more active involvement of the local communities than has been the case so far. National development plans must build in the value of ecosystems. Future growth must come from more diversified sectors. FDI in natural resource-based areas must also be reviewed and diversified.

6. Foreign capital has few backward linkages to domestic business. The gains in terms of local jobs and growth of domestic private sector have not been commensurate with the FDI the country was able to attract. Moving forward, and given the projected decline in foreign investment, it would be imperative to make the domestic business environment more conducive, make investment decisions more transparent, enhance competitiveness, improve formalisation of the economy, and strengthen financial and credit services. Above all, the investment policies must be reviewed, made transparent and predictable and regulations should ensure that the private sector better contributes to the 2030 Agenda.

7. Increasing the productivity of the SMEs in Lao PDR would be critical. The small and medium enterprises account for 98 percent of all businesses in the country. Labour productivity of SMEs is low, technological upgradation limited, and their access to credit and

business services faces barriers. There are few incentives for this group of enterprises to innovate and grow. As a result, their competitiveness and possibility of integrating with global value chains are limited. Their coping capacity in the face of a shock, such as a pandemic or an economic shock, is also limited.

8. Both income and non-income inequalities in the country are large, and these inequalities seem to be growing over time. There are large population segments, identified under the LNOB section above, that face deprivation, discrimination, and injustices. Going forward, the challenge is to ensure that the development outcomes do not just focus on maximizing growth rates but are more inclusive of population groups and geographical areas.

9. Lao PDR's vulnerability to multiple hazards, including natural hazards, is high. This is further aggravated by climate change and unsustainable exploitation of natural resources. The country must build a resilient disaster risk reduction system, combining the Sendai Framework and SDG framework, and seize the opportunity to "build back better" and transition toward sustainable and resilient development.

10. Disaggregated data production, availability, and use for policymaking need to improve. Non-availability of disaggregated data by regions, ethnicity, age, and disability status hampers assessment of differential impact of Government policies and programmes on different groups and evidence-based policy making. Challenges are both non-availability and, in some cases, non-use of available data for decision-making. There is also need for strengthening policy coherence with better inter-sectoral and therefore also inter-ministerial coordination in Government policy.

11. Regional issues will have implications for the SDGs. Regional cooperation will be vital for achievement of SDGs and should be strengthened for multiple reasons such as to stem cross-border organised crime (drug trafficking, smuggling of migrants and wildlife, human trafficking); contain environmental fallout of the large infrastructure projects (e.g., hydropower dams on the Mekong which have negative impact on downstream countries); cross-border information sharing and disaster risk

reduction and response; and integrated management of borders that are 'safe and open'. This also offers many opportunities. Lao PDR can participate in global and regional value chains. This could attract multinational companies to invest in employment-generating, high-return and quick-maturing projects. Free flow of labour can attract more skilled labour from neighbouring countries and facilitate technology transfers.

12. Coordinated collaboration with all development partners should improve. Besides regional cooperation, in-country all-encompassing development partner coordination and collaboration with partners in the private sector, civil society and bilateral partners should improve, to achieve synergies and avoid overlap which in turn will enhance the development outcomes.

Annex 1: Status of Ratification of Treaties

LAO PDR RATIFICATION STATUS

#	Treaty	Abbreviation	Year	Ratification Status	Date of Ratification
1	Convention against Torture and Other Cruel Inhuman or Degrading Treatment or Punishment	CAT	1984	V	26-Sep-12
2	Optional Protocol of the Convention against Torture	CAT-OP	2002	X	
3	International Covenant on Civil and Political Rights	ICCPR	1966	V	25-Sep-09
4	Second Optional Protocol to the International Covenant on Civil and Political Rights aiming to the abolition of the death penalty	CCPR-OP2-DP	1989	X	
5	Convention for the Protection of All Persons from Enforced Disappearance	CED	2006	X	
6	Convention on the Elimination of All Forms of Discrimination against Women	CEDAW	1979	V	14-Aug-81
7	International Convention on the Elimination of All Forms of Racial Discrimination	CERD	1965	V	22-Feb-74
8	International Covenant on Economic, Social and Cultural Rights	ICESCR	1966	V	13-Feb-07
9	International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families	ICMRW	1990	X	
10	Convention on the Rights of the Child	CRC	1989	V	8-May-91
11	Optional Protocol to the CRC on the involvement of children in armed conflict	CRC-OP-AC	2000	V	20-Sep-06
12	Optional Protocol to the CRC on the sale of children child prostitution and child pornography	CRC-OP-SC	2000	V	20-Sep-06
13	Convention on the Rights of Persons with Disabilities	CRPD	2006	V	25-Sep-09

Annex 2: Multi-dimensional Risk Assessment

#	Risk factors	Assessment / Affected SDGs and Population groups	Impact	Likelihood	Early Warning Indicators
1	<p>Political Stability Risks to the stability of established political and Government structures in the territory resulting from politically driven factors</p> <p>Scope</p> <ul style="list-style-type: none"> Challenges to political system/Government Politically compromised Government/ institutions Irregular changes to governance structures or principles Capacity of the Government (policy incoherence) Lack of political will 	<p>The country is politically stable and faces no immediate threat of any instability. People’s freedoms and right to know and participate are not always protected. High corruption, lack of accountability to people, and weak institutional set up are potential risk factors.</p> <p>Affected SDGs: All SDGs, especially 1, 8, 16, 17</p> <p>Affected population groups: Whole population especially the vulnerable groups, human rights activists, civil society,</p>	High	Low	<p>Corruption Perception Index</p> <p>(Non) -Compliance with Agreements / Human Rights obligations</p> <p>Increased out-migration, or rapid in-migration from neighbouring countries</p> <p>RCO media and social media monitoring</p>
2	<p>Democratic Space/ Civil Society Voice and Participation Risks to democratic and human rights institutions, and to civil and political rights resulting from shrinking civic-space, exclusion, repression, and intimidation</p> <p>Scope</p> <ul style="list-style-type: none"> Undue limits on democratic rights or freedoms Constraints on civil society, rights actors or rights institutions Active repression of civil society, rights actors, and others 	<p>While civil society in socio-economic development areas is allowed to function with greater freedom, the human rights defenders, critics, activists, and bloggers are perceived to be anti-state and particularly targeted by state through various means. Media is not independent or free.³³⁵ Access to information is denied. Decision-making lacks transparency. Incidents of torture continued to be reported as noted by UPR Working Group report.</p> <p>Affected SDGs: 16, 17</p> <p>Affected population groups: Whole population especially the vulnerable groups, human rights activists, civil society,</p>	High	Medium	<p>Crack down on and harassment of human rights defenders, CSOs including media, journalists; enforced disappearance</p> <p>World Press Freedom Index (RSF)</p> <p>Freedom in the World report (Freedom House)</p>
3	<p>Social cohesion, gender equality and non-discrimination Risks to social unity and equality resulting from direct and indirect discrimination, horizontal inequalities and demographic trends.</p> <p>Scope</p> <ul style="list-style-type: none"> Discriminatory practices Power imbalances within society All types of violence Demographic pressures 	<p>Social cohesion as a risk area is presented by many factors: unequal power relationships; significant disparities among ethnicities and among rural and urban population, upland and lowland; negative attitude to gender equality and the inequalities faced by women in access to power, education, decent jobs and health; attitude towards LGBTIQ, people with disabilities, and people living with HIV; and inadequate social protection for the vulnerable groups. Poor implementation of anti-discrimination laws can also put social cohesion at risk. COVID-19 will further perpetuate pre-existing inequalities in the society.</p> <p>Affected SDGs: 1, 3, 4, 5, 8, 10</p> <p>Affected population groups: all identified vulnerable groups.</p>	Medium	Medium	<p>Increased share of youth NEET, youth unemployment</p> <p>Women’s LFPR; participation rate in Government and state authorities.</p> <p>GBV Cases</p> <p>RCO media and social media monitoring</p>

³³⁵ Lao PDR is ranked 172 out of 180 on the 2020 World Press Freedom Index: <https://rsf.org/en/laos>

4	<p>Regional and global influences</p> <p>Risks to the integrity, stability, safety and prosperity of the territory and its people as a result of the actions of external actors or the influence of external events.</p> <p>Scope</p> <ul style="list-style-type: none"> • International tensions • Fragility in neighbouring countries • Sanctions exploitation or Dependencies 	<p>Impact on Lao PDR of the cross-boundary projects (upstream dams on river Mekong causing droughts in the Mekong basin);³³⁶ affecting fisheries in Thailand; Impact of transboundary projects. Trafficking of persons, drugs and resources. Lao PDR the weakest link in the Golden Triangle in the fight against drugs.</p> <p>Affected SDGs: 16, 17</p> <p>Affected population groups: Farming community, migrants, population at the borders</p>	High	High	<p>Tension with neighbouring countries over trade, dams, water, trafficking, smuggling</p> <p>Violations of regional agreements</p> <p>Reporting of UN partners (UNODC, IOM on trafficking)</p> <p>Mekong River Commission's assessments</p>
5	<p>Internal Security</p> <p>Risks to the security of the territory, its people and infrastructure, and to the ability of the international community to operate effectively as a results of security issues</p> <p>Scope</p> <ul style="list-style-type: none"> • Internal conflict and insecurity • Non-state armed groups and militia • Crime and terrorism • Cross border insecurity • Border management • Cyberspace security 	<p>Lack of humanitarian or other access to certain parts of the country. Trafficking of people, drugs, and resources.</p> <p>Increased activities by organised crime syndicates. Lack of protection to marginalised groups.</p> <p>The 2019 Global Terrorism Index ranks Lao PDR at 95/138 (very low impact of terrorism).³³⁷ The 2020 Global Peace Index ranks Lao PDR 50/163 (High state of peace).³³⁸</p> <p>Affected SDGs: 16, 17</p> <p>Affected population groups: Migrants, trafficked persons, (in particular, children, women, and girls), marginalised groups</p>	Medium	Low	<p>Trafficking data (UNODC, IOM)</p> <p>Global Terrorism Index</p> <p>Global Peace Index</p>
6	<p>Justice and rule of law</p> <p>Risk to the fair, effective and comprehensive implementation and application of the principles of justice, the rule of law and accountability from issues.</p> <p>Scope</p> <ul style="list-style-type: none"> • Weak or compromised institutions • Security forces who act outside of or do not respect the law • Culture of denial of rights or impunity 	<p>Weak normative framework and gaps in implementation of anti-discrimination legislation and human rights commitments. Very restrictive regime with curtailed freedoms to assembly and free speech. Judicial independence and integrity remain elusive.</p> <p>Law enforcement agencies act with impunity and have limited accountability. Excessive force is used on suspects.</p> <p>Freedom House classifies the country as "Not Free" with a score of 14 /100 (in 2020).</p> <p>Affected SDGs: 16, 17</p> <p>Affected population groups: All rights holders, Human Rights Activists, Civil Society</p>	High	High	<p>Disaggregated quantitative data on access to justice in civil and criminal matters</p> <p>Non-implementation of recommendations of treaty bodies, UPR, and special procedures.</p> <p>Non-formation of human rights implementation machinery (NHRI)</p> <p>Reports from human rights defenders</p>

³³⁶ Upstream dams remain a source of tensions among riparian countries. Recently, the decision by Lao PDR to proceed with the 1,400MW Luangprabang hydropower project was met with concern by neighbouring Cambodia, Thailand, and Viet Nam, which requested more time for a transboundary environmental impact assessment ([LINK](#))

³³⁷ <http://globalterrorismindex.org/>

³³⁸ http://visionofhumanity.org/app/uploads/2020/06/GPI_2020_web.pdf

7	<p>Economic stability Risk to the economic, financial, and fiscal stability which could impact governance, social cohesion, or people's ability to satisfy their needs, jobs, and businesses</p> <p>Scope</p> <ul style="list-style-type: none"> External shocks Tightening of global finances raises the cost of borrowing Insufficient fiscal discipline Financial sector weaknesses 	<p>Economic stability is a risk area with very high debt burden which may not be sustainable. Lao PDR is one of the eight countries particularly at risk of debt distress due to BRI projects. Moody's has downgraded Lao PDR's rating from B3 to Caa2 (outlook "negative") due to severe liquidity stress, debt servicing burden and constrained financing options.³³⁹</p> <p>Endemic corruption, and regional differences in economic development are risk factors. Lack of transparency surrounding extractives and ecological destruction is another factor that could trigger conflict and backlash against overseas investors.</p> <p>COVID-19 poses serious risk to economic stability and resilience. The GDP is likely to contract by over 5 percent in 2020.³⁴⁰</p> <p>Affected SDGs: 1, 2, 3, 4, 8,9,10 and 16</p> <p>Affected population groups: People below poverty line, other marginalised groups</p>	High	High	<p>Macroeconomic indicators (WB/IMF)</p> <p>Volatility of FDI flows in relation to GDP</p> <p>Forex reserves</p> <p>Debt servicing ratio</p> <p>Share of domestic firms in total exports</p> <p>Tax revenue share in total revenue</p> <p>Share of extractives in GDP</p> <p>Index of Economic Freedom³⁴¹</p>
8	<p>Infrastructure and access to social services Risks to society and the population resulting from a lack of availability or limitation on access to physical infrastructure, and/or basic social services.</p> <p>Scope</p> <ul style="list-style-type: none"> Inadequate provision of basic services or technologies Disruption to services, infrastructure, energy or transportation Inequitable access to basic services or infrastructure 	<p>Unequal access to infrastructure and social services (health, education, social protection, water and sanitation) for rural poor, ethnic groups, uplands, and unregistered population.</p> <p>Resettled communities lack access to basic services education, health and water.</p> <p>Poor quality of education impacting human and economic development</p> <p>Affected SDGs: 1, 2, 3, 4, 6, 7, 9, 10, 12, 16, 11 and 17</p> <p>Affected population groups: People living in remote/rural areas, ethnic groups</p>	Medium	Medium	<p>Disaggregated social service indicators by area and ethnicity</p> <p>Logistics Performance Index (LPI) https://lpi.worldbank.org/</p> <p>World Competitiveness Index (indices on infrastructure)</p>
9	<p>Displacement and migration Risks to the population and to the stability of the territory resulting from pressures associated with displacement and/or migration</p> <p>Scope</p> <ul style="list-style-type: none"> Movement of people within, into or from the territory Level of rights and protection afforded to migrants Social, economic, cultural, and environmental impact of migration 	<p>Migrants are vulnerable to exploitation, violence and abuse including sexual exploitation and forced labour. Irregular migration mainly to Thailand is common. Large population segments are relocated by force for the infrastructure and development projects. Land concessions policy has alienated many ethnic households from their land and habitat.</p> <p>Affected SDGs: 8, 16, 17</p> <p>Affected population groups: migrants, dislocated and relocated population</p>	Medium	High	<p>IOM early warning reports</p> <p>Migration outflows</p> <p>Monitor land grabbing / relocation events</p>

³³⁹ https://finance.yahoo.com/news/laos-government-moodys-downgrades-laoss-114506542.html?_guc_consent_skip=1597655388

³⁴⁰ World Bank

³⁴¹ <https://www.heritage.org/index/country/laos>

10	<p>Public Health Risk to the population, the economy and stability of the territory resulting from actual and emerging health emergencies</p> <p>Scope</p> <ul style="list-style-type: none"> • Increase in preventable or treatable health issues • Epidemics, pandemics and infectious disease • Chemical, radiological and other biological agents 	<p>Lack of immunisation against preventable diseases for vulnerable groups, resulting in epidemics of vaccine preventable diseases. The country is also impacted by the global COVID-19 pandemic even though it has to date managed it successfully. Dengue and TB remain major risks, hepatitis causes a significant disease burden, zoonotic diseases (such as influenza, rabies, anthrax) remain an issue, and antimicrobial resistance (including drug-resistant malaria) is a concern. NCDs are emerging as a major burden on the health system. High out of pocket health expenses could prove catastrophic for some households. Overall. The public health care system would not be able to deal with a major public health disaster such as COVID or another epidemic, while it has high risk to this.</p> <p>COVID-19 and consequent pressure on health infrastructure may adversely affect normal healthcare especially for the vulnerable groups (notably older persons, people with disabilities, minority ethnic groups and people in rural and remote communities)</p> <p>Affected SDGs: 2, 3,4, 6, 13, 11,12, 16 and 17</p> <p>Affected population groups: People living with multiple morbidities, Covid-19 infected population</p>	High	High	<p>Sudden rise in infections and NCDs- disaggregated by regions / population groups</p> <p>Crisis in health sector due to COVID-19 outbreak (WHO to monitor)</p>
11	<p>Food security, food safety, agriculture, and land</p> <p>Risk to people, agriculture, and/or production in the territory resulting from crop, food production, livestock, and related issues.</p> <p>Scope</p> <ul style="list-style-type: none"> • Inadequate food availability or affordability • The use of and rights over land 	<p>Land tenure system has weaknesses and faces implementation challenges. Land acquisition and relocation for projects create further uncertainties. Customary land rights are recognised in law but not effectively implemented making ethnic groups particularly vulnerable. Agricultural holdings are small and vulnerable to degrading natural resources (land, water, forestry) and climate change. There is high risk to small farmers' livelihoods who may fall into poverty in case of a disaster.</p> <p>Food and nutrition insecurity are high. Stunting of children at 33 percent is high. On 2020 Global Hunger Index, Lao PDR situation is classified as "serious". Diets are not nutritious or diverse. Inadequate infant and young feeding practices cause undernutrition and related health problems.</p> <p>COVID-19 disrupted the supply chains, albeit temporarily, which may affect food security.</p> <p>Affected SDGs: 2, 15, 17</p> <p>Affected population groups: Food insecure and malnourished population, young children, women, small farmers</p>	High	Medium	<p>Crop diseases and decrease in yields, animal diseases.</p> <p>Extreme weather events</p> <p>Inflation / Food prices (WFP)</p> <p>Land degradation</p> <p>Forest degradation</p>

12	<p>Environment and climate change Risks to the ecology of the territory, its ecosystem and its people resulting from issues associated with the environment, climate, and natural resources.</p> <p>Scope</p> <ul style="list-style-type: none"> Natural hazards or extreme weather events Ecological damage and climate impacts Exploitation of natural resources Climate change and conflict related insecurity 	<p>Climate change has led to significant increase in frequency of extreme weather events such as floods, droughts, and landslides. Forest degradation and large-scale infrastructure projects including transboundary projects have increased risks to lives and livelihoods including human health and economic sectors.</p> <p>UXO continues to pose risk to lives, restrict availability of agricultural land and make infrastructure development costly and hazardous.</p> <p>INFORM Global Risk Management Initiative (GRI) reports the composite Index (Hazard and Exposure, Vulnerability and Lack of Coping Capacity) at 4.2 /10.0.³⁴² Exposure to floods is as high 9.1 and epidemics 6.3. The country is ranked in the "medium" risk class.</p> <p>Affected SDGs: 1, 2, 3,4, 9, 11,12,13, 15 and 18</p> <p>Affected population groups: Population living in disaster-prone areas, rural areas.</p>	High	Medium	<p>Met data</p> <p>RCO / humanitarian actors to monitor (OCHA)</p> <p>State of the environment / thematic reports</p> <p>Extreme weather events</p> <p>Sendai framework</p> <p>Sub-regional data</p> <p>Slow disasters (droughts) monitored by WFP/FAO/ IASC</p> <p>Emergency Response Preparedness (ERP) Groups</p>
13	<p>Disaster risks and preparedness Risks to lives, livelihoods, infrastructure, economic sectors (agriculture, power generation, industry), access to basic services (health, WASH, education), disproportionate impact on women and children, increased domestic violence</p> <p>Scope</p> <ul style="list-style-type: none"> Disasters caused by extreme weather events (floods, droughts) Industrial disasters (dam burst) Biological hazards, pandemics or other public health emergencies (should be part of disaster preparedness) Cyberhazards 	<p>This risk dimension should be read along with the one on Environment and Climate Change. The 2018 disasters (dam burst, floods) exposed the lack of coping capacity both of the Government and the community to such large-scale disasters. While climate change and unsustainable use of natural resources contribute to natural hazards, there are also industrial disasters (dam burst) and biological or public health disasters where the country's preparedness is very low. Huge investment in infrastructure is not accompanied by investment in safety standards or emergency response.</p>	High	High	<p>DRR and Response Plans at national and community levels</p> <p>National and sub-national disaster management mechanisms</p> <p>Met data</p> <p>RCO / humanitarian actors to monitor (OCHA)</p> <p>State of the environment / thematic reports</p> <p>Extreme weather events</p> <p>Sendai framework</p> <p>Sub-regional data</p> <p>Slow disasters (droughts) monitored by WFP/FAO/ IASC</p> <p>Emergency Response Preparedness (ERP) Groups</p>

³⁴² Inform Global Risk Index, Mid-2020 <http://www.inform-index.org>

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ⁱ Growth elasticity of poverty for Vietnam was 1.33, the Philippines 1.52, Indonesia 1.76 and for Thailand 2.84 over comparable periods; World Bank, *Lao PDR Systematic Country Diagnostic: Priorities for Ending Poverty and Boosting Shared Prosperity* (March 2017); World Bank, *Lao People's Democratic Republic Poverty Assessment 2020: Catching up and Falling Behind* (2020)

ⁱⁱ The Multidimensional Poverty Index (MPI) examines each person's deprivations across 10 indicators in three equally weighted dimensions— health, education and standard of living and offers a high-resolution lens to identify both who is poor and how they are poor.

ⁱⁱⁱ A Rapid Needs Assessment for Secondary School Teachers and Students in Bokeo revealed that 70 percent of students did not have enough rice to eat this year and they sometimes ate just one meal a day. Many students dropped out of school to help their parents earn money to buy food. They asked for direct food assistance rather than cash; Plan International, *Report on Rapid Need Assessment for Secondary School Teachers and Students in responding to COVID-19 pandemic in Pha Oudom District of Bokeo Province* (September 2020)

^{iv} Lao PDR spends around 1 percent of GDP on agriculture compared to 6.4 percent in Vietnam or 4.5 percent of GDP in Southeast Asia. Of the total investment envisaged in the Agricultural Development Policy up to 2025, only 1.5 percent is public investment and over 82 percent in direct domestic and foreign private investment (rest is contributed by ODA). Boosting public investment is imperative as the private investment is often not willing to invest in bulky agricultural infrastructure, research and extension, and often responds to public investment to complement it- World Bank, *Lao PDR Systematic Country Diagnostic: Priorities for Ending Poverty and Boosting Shared Prosperity* (March 2017)

^v Compared to an employment elasticity of 0.99 in agriculture, the elasticity in manufacturing was 0.04 and in construction and services 0.59 indicating much higher scope of providing employment in agriculture and services compared with manufacturing- UNDP, *The 5th National Human Development Report, Lao PDR* (January 2017)

^{vi} A study on maize value chains shows that maize faces high price fluctuations making farmers more vulnerable to price shocks. The same study also reports that 90 percent of the contracts between the maize traders and farmers do not fix the price in advance- UNCTAD, *Analyzing the Maize Value Chain for Export in Lao People's Democratic Republic* (2020)

^{vii} Including fertilizers, pesticides, herbicides, fungicides, rodenticides, attractants, repellents, and spreaders.

^{viii} The density of physicians in 2018 was 1.88 per 1,000 population much less than WHO recommended 4.45- [Ministry of Health, Annual Report \(2018\)](#)

^{ix} To address the increasing population and changing population structure, the numbers of health care personnel will need to increase, and all be trained to meet new demands. Due to the overall population growth, it is necessary to more than double the number of health personnel by 2030, from 11,438 to 35,898 in 2030. Due to the current shortages, nurses would require tripling by 2030 (from 5,714 in 2019 to 17,933 in 2030) and physicians to increase from 3,731 to 11,710. To overcome needs-based shortages, the number of midwives will also have to grow from 1,834 in 2019 to 5,756 in 2030- [UNFPA, Lao2030 Study: Health Policy Brief \(2020\)](#)

^x Data from a cost-benefit analysis conducted in Lao PDR with WFP - using data from WFP and CRS - showed that in Lao PDR for every 1 USD invested in school meals per child, there is a return of up to 6.1 USD over the lifetime of that child- WFP, *Cost-Benefit Analysis of the School Meals Programmes in Lao PDR* (May 2018)

^{xi} Education spending accounted for 11.8 percent of the government budget in 2018- UNESCO, *Global Education Monitoring Report (2020)*

^{xii} This is a composite index of many indicators. Lao PDR receives 100 for five indicators: Mobility, Workplace, Marriage, Entrepreneurship, and Assets signifying that no legal constraints were found in the areas measured. Under Pay, however, Lao PDR receives a score of 75 because the law does not mandate equal remuneration for work of equal value. Lack of paid parental leave also results in a score of 80 in Parenthood. Finally, it receives a score of 50 under the Pension indicator because the age at which men and women can retire with full pension benefits is not equal, nor is the period of absence required for childcare taken into account in pension benefits.

^{xiii} One of the priorities was to enhance the capacity of Lao labour to compete in the ASEAN region through skills development projects with development partners. Over 105,000 Laotian workers received vocational training in 2018, compared to some 83,000 in 2017 and

48,000 in 2016. Such increase shows the country's continuous efforts towards labour skills strengthening. Yet, recognition of Prior Learning and better management and regulatory frameworks of recruitment services remain outstanding issues to improve labour force capacity.

^{xiv} The Child Labour Survey 2010 estimated this ratio at 10 percent. The difference appears to be largely definitional and methodological.

^{xv} A survey finds that Lao PDR ranks 192/196 in terms of broadband pricing as being one of the most expensive country at USD231.76 per month. By comparison, the cost in Cambodia was USD52.89, Vietnam USD62.86 and Myanmar USD76.76- World Bank, *Digital Connectivity in Lao PDR: Lagging Behind Peers* (February 2019)

^{xvi} The WEF Global Competitiveness Index Lao PDR ranks 113 out of 141 countries- World Economic Forum, *Global Competitiveness Report 2019: How to end a lost decade of productivity growth* (October 2019)

^{xvii} See Annex 2 on Industry 4.0 in the draft 9th NSEDP, pp 109-110- Ministry of Planning and Investment, *9th National Socio-Economic Development Plan* (draft- December 2020)

^{xviii} An estimated 30 percent of 2 million tonnes of ordnance that was dropped is unexploded. Between 1964 and 2008, a total of 50,000 people have fallen victim to UXO, of whom 30,000 died and 20,000 survived, 13,500 becoming disabled- Government of Lao PDR, *Convention on the Rights of Persons with Disabilities: Initial report submitted by the Lao Peoples Democratic Republic under article 35 of the Convention* (2016)

^{xix} The Lao PDR submission on the Nationally Determined Contribution (NDC) in August 2020 states: "The revised law on water and water resources was approved in 2017 and the national strategy for water and water resources, as well as the regulations on wetland and watershed are underway. The ground water management regulation has been approved and the groundwater management plan is now being prepared for Savannakhet province. Water resources assessment and modelling, river basin profiles and basin management plans are also being drafted. A water information system is being developed to collect information from all sources related to water resources."

^{xx} For example, five Cambodian civil society organizations have urged MRC to delay the Luang Prabang project to allow for more inputs- Reported in Khmer Times, *MRC urged to delay Lao dam project scrutiny to allow for more input* (June 2020)

^{xxi} More than two-thirds of population growth in Vientiane Capital in recent years was caused by net in-migration.

^{xxii} See the launch of efforts to develop a National Action Plan to Eliminate Asbestos-related Diseases, including a ban on asbestos- WHO, *Media Release- A workshop to launch the development of the National Action Plan to Eliminate Asbestos-Related Diseases including a ban on asbestos sees strong interest from concerned ministries and stakeholders* (March 2018)

^{xxiii} The Post-Disaster Needs Assessment (PDNA) carried out after the 2018 floods estimated the total economic cost of the floods to be USD 372 million or 2.1 percent of the projected GDP for 2018- Government of Lao PDR; UN; World Bank; GFDRR; EU, *Post Disaster Needs Assessment, 2018 Floods, Lao PDR* (2018)

^{xxiv} Lao PDR ranks at 122 out of 180 countries on the World Risk Index. It has low exposure but high vulnerability, susceptibility and very low coping capacity- Bündnis Entwicklung Hilft, *World Risk Report* (2019)

^{xxv} The Law on Juvenile Procedure was an exception where consultations with children were held. The Law of Disaster Management is another example.

^{xxvi} For example, those run by the Asia Foundation. <https://asiafoundation.org/2019/06/19/a-long-road-access-to-justice-in-laos/>

^{xxvii} As per ToRs, the Committee does not hold all the functions of a Paris-principled NHRI. It is a coordination mechanism for the country's engagement with UN human rights mechanisms including the Human Rights Council, its UPR and Treaty Bodies.

^{xxviii} The ICCPR Committee 2018 while noting the prohibition of discrimination in article 35 of the Constitution and in other laws, was concerned that the current legal framework does not afford comprehensive protection against discrimination on all the grounds prohibited under the Covenant, including race, colour, sex, political or other opinion, property, birth, sexual orientation, gender identity and other status (arts. 2 and 26).

^{xxix} It is estimated that nearly 50 percent of remittances are routed through formal channels and the rest through informal, unregulated channels (family and friends). To that extent the official figures of remittances are underestimates- UNDP, *Lao PDR Development Finance Assessment: Seizing opportunities to deliver sustainable LDC graduation through an integrated national financing framework* (November 2017)

^{xxx} Particularly Hmong-mien who face additional health risks from poor-quality diets.

^{xxxi} Fertility rate among Hmong-Mien was 4.6 compared to 2.4 among Lao -Tai- Lao Statistics Bureau; Ministry of Health; Ministry of Education and Sport; UNFPA; UNICEF, *Lao Social Indicator Survey II- Survey Findings Report* (2017)

^{xxxii} Even though stunting among children at the national level has gone down to 33 percent in 2017, almost half of the Hmong-Mien children are stunted- UNICEF, *The Situation of Children and Women- Lao PDR Situation Analysis* (December 2019); Lao Statistics Bureau; Ministry of Health; Ministry of Education and Sport; UNFPA; UNICEF, *Lao Social Indicator Survey II- Survey Findings Report* (2017)

^{xxxiii} This is based on the new concept of work adopted at the International Conference of the Labour Statisticians which excluded from the labour force those who worked solely or mainly for own consumption. This is a significant change as in an agrarian economy like Lao PDR's, considerable proportion of population is employed in non-market subsistence activities. Because of this the data with previous years is not comparable.

^{xxxiv} 67 percent households rely on fuel wood for cooking. In remote rural areas, ethnic women have to walk on average 3 hours a day thrice a week to the forest to collect fuel- Lao Statistics Bureau, *Results of Population and Housing Census* (2015)

^{xxxv} Such as the National Commission on Advancement of Women, Mothers-Children (NCAWMC), the National Committee for Persons with Disabilities and the Elderly, the National Steering Committee on Anti-Human Trafficking, and the National Assembly with its complaint mechanism.

^{xxxvi} A national study of 3,000 women provides the first ever country-level estimates of violence against women. The study reports that among the ever-partnered women (15-64 years), 15.3 percent had experienced physical or sexual violence by a current or former male partner in their lifetime- Lao Women's Union, *Lao PDR Gender Profile* (June 2018)

^{xxxvii} It is noteworthy that village mediation units are not allowed to mediate in severe or criminal cases of violence.

^{xxxviii} 32.7 percent of girls got married before the age of 18 years and 18.4 percent in the age groups 15-49 have had a live birth before 18 years- Lao Statistics Bureau; Ministry of Health; Ministry of Education and Sport; UNFPA; UNICEF, *Lao Social Indicator Survey II- Survey Findings Report* (2017)

^{xxxix} Many women said that the husband was justified to hit his wife if she was unfaithful, that women should not refuse sex, and that a good wife should obey her husband- Lao Women's Union, *Lao PDR Gender Profile* (June 2018)

^{xl} The follow-up report on women's health, education and rural women was submitted to the CEDAW Committee in 2020.

^{xli} There is no universally accepted definition of adolescents and youth. WHO defines youth as persons between age of 10 and 24 years. Within this, adolescents are a sub-group between 10-19 years, within this sub-group, early adolescents are those between 10-14 years, older adolescents 15-19 years and youth 20-24 years. Lao PDR's Revolutionary Youth Union defines youth as 15-35 years.

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- ^{xiii} Children involved in child labour are defined as children involved in economic activities above the age-specific thresholds, children involved in household chores above the age-specific thresholds, and children involved in hazardous work- Lao Statistics Bureau; Ministry of Health; Ministry of Education and Sport; UNFPA; UNICEF, *Lao Social Indicator Survey II- Survey Findings Report (2017)*
- ^{xiii} This is a composite index of education, health and well-being, employment and opportunity, and participation and engagement ranging between 0 (worst) and 1 (best). Lao PDR scores 0.365, with a slightly upward trend on all components except participation and engagement.
- ^{xiv} Thai Ministry of Labour data shows that there were 95,722 Lao workers that were registered in August 2017- Australian Aid; ILO, *Triangle in ASEAN Quarterly Briefing Note: Lao PDR*, (July-September 2020)
- ^{xiv} Some examples: The construction of the Nam Theun 2 dam in 2010 resulted in the displacement of approximately 6,200 persons belonging to indigenous groups. In 2017, as a result of hydropower development plans, 100 families were reported as victims of forced removal from indigenous lands.
- ^{xvi} Such as the event on the International Day Against Homophobia and Transphobia (17 May) organised by Proud to Be Us Laos and the only LGBTIQ organisation in Lao PDR. The event was aired on the national television. Proud to be Us Laos is in the process of acquiring legal status.
- ^{xvii} Although linking HIV/AIDS to sexual orientation / identity may further stigmatize LGBTIQ.
- ^{xviii} There is only one vocational training school for the persons with disabilities in the country.
- ^{xix} There are however tax benefits available to persons with disabilities.
- ⁱ The key population size estimates are: PWID 1,800; FSW 13,736; and MSM 54,624 (in 2018)- UNAIDS; UNICEF; WHO; ADB, *Aids Data Hub*
- ⁱⁱ The Vulnerability Analysis Model mapping criteria includes population distribution; settlements' connectedness; population movement; healthcare system; and socioeconomic factors.
- ⁱⁱⁱ Reporting Status for Lao PDR – can be accessed at https://tbinternet.ohchr.org/_layouts/15/TreatyBodyExternal/countries.aspx?CountryCode=LAO&Lang=EN
- ⁱⁱⁱ Three of the treaty body reports have been delayed and are overdue: CERD since 2015, CESCR since 2009, and CAT since 2013.
- ^{iv} It further added that there are other domestic mechanisms for the promotion and protection of human rights of certain groups such as the National Commission on Advancement of Women, Mothers-Children, the National Committee for Persons with Disabilities and the Elderly, the National Steering Committee on Anti-Human Trafficking, and the National Assembly with its complaint mechanism.



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LAO PDR



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